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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	21,086
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

(842_HK)

Business Update Report

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 time 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.

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.

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 in order to research and develop new technologies and 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, most important China's growth engines come from infrastructure. The government report emphasizes that a 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 has 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 developments planned, 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 pivoted 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 a lot of effort will be put in construction of "new infrastructure" like 5G and data centers in their 2022 work plans. Cities

like Shanghai has 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 speeding 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.

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 company's lithium-ion battery plant and provide a solid ground to capture new opportunity in this area. Since 2020, the "fast forward button" for the new 5G infrastructure development has been pressed.

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

Despite industry-wide chip supply shortage and increasing price of raw materials, 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 output and sales in the world's largest automobile market to be better than that in 2021. At least in terms of the underlying demand for car sales in China in 2022 there would be a 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 to 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 their 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. 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. Leoch 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 a growth plan that will drive the continuous 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 healthy growth rate in coming years.

The company's motive power battery business unit 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. We believe company's high-end batteries and differentiated management strategy will continue to drive future growth. The company actively deploys lithium motive power battery projects and successively launched a number of models in the market. In 2021, the company continued to deepen the franchise store model, optimizing the quality and quantity of agents, improving product turnover efficiency and scale of the sales channels and have paved a solid foundation for continuous growth.

Dynamics of the International Market

The company accelerated its growth in the overseas markets in 2021. In the Middle East and Africa market, capitalizing on the fast rebound of European economies and the fast development of its lithium-ion business, Leoch's lithium products continue to gain market share with major Telcos and Tower operators in the region, especially in Africa. The products are also getting traction in the solar and hybrid generator markets.

During 2021, Leoch 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. We believe that the growth momentum will continue in 2022. Turning to APAC, although overall performance in 2021 was not well due to lockdown linked to the COVID-19 pandemic, Leoch continued to diversify its business with strong growth in India and UPS OE segment. With sustained availability of production despite tough operational challenges, the company 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, Leoch continued to diversify its business by successfully launching new products in the Motive Power and Automotive segments along with acquiring new customers.

The US market accomplished over 50% growth rate in 2021 contributed by the continued disruption in global production caused by COVID-19 except China. In China the demand got a boost as buyers turned their focus on a stable source of supply for battery products. The company expects demand for its products in China will be strong in the first half of 2022 but would be gradually back to normal in the second half of 2022 if global production capacity continues to improve.

Dynamics of the Recycled Lead Business

The company's recycling plant was running close to its maximum allowed capacity which benefitted the company in 2021. Leoch's dedicated scrap battery recycling department, which will utilize its existing sales network capability to collect old batteries, has started making contribution with a constant supply of scrap lead-acid batteries to the recycling plant. The company will continue strengthening this closed-loop business model and is highly confident that the output volume in 2022 will be sustained.

Future Prospects

According to the National Bureau of Statistics, China's GDP grew by 8.1% in 2021, the largest jump since 2011. On the other hand, the rebound in global activity, together with supply disruptions and higher food and energy prices have pushed up inflation across many countries. China's effective outbreak prevention and control work enabled it to maintain the stable operation of industrial chains attributing China's strong export growth to efficient factory output. The global dependence on Chinese production continued to increase and the trend is expected to continue in 2022. However, a lower GDP target of 5.5% set by China's government, implies a weaker economic growth expectation reflecting more unstable factors in 2022. The continuing disruption caused by COVID-19, as well as supply bottlenecks contribute to the expectation that global growth will decelerate markedly in 2022, from 5.5% to 4.1%, according to the World Bank. According to an assessment by United Nation Conference on Trade and Development (UNCTAD), rising food, fuel and fertilizer prices are rapidly worsening outlook for the world economy. Compared to the economic outlook of the rest of the world, China is still in a relatively strong position. Its success in containing the COVID-19 pandemic and stimulating productivity has allowed a relatively normal pace of work and life in the country, and its forecast GDP growth for 2022 is expected to exceed the world average. The company believes that opportunities and challenges are intertwined in 2022 but opportunities are dominant especially in China.

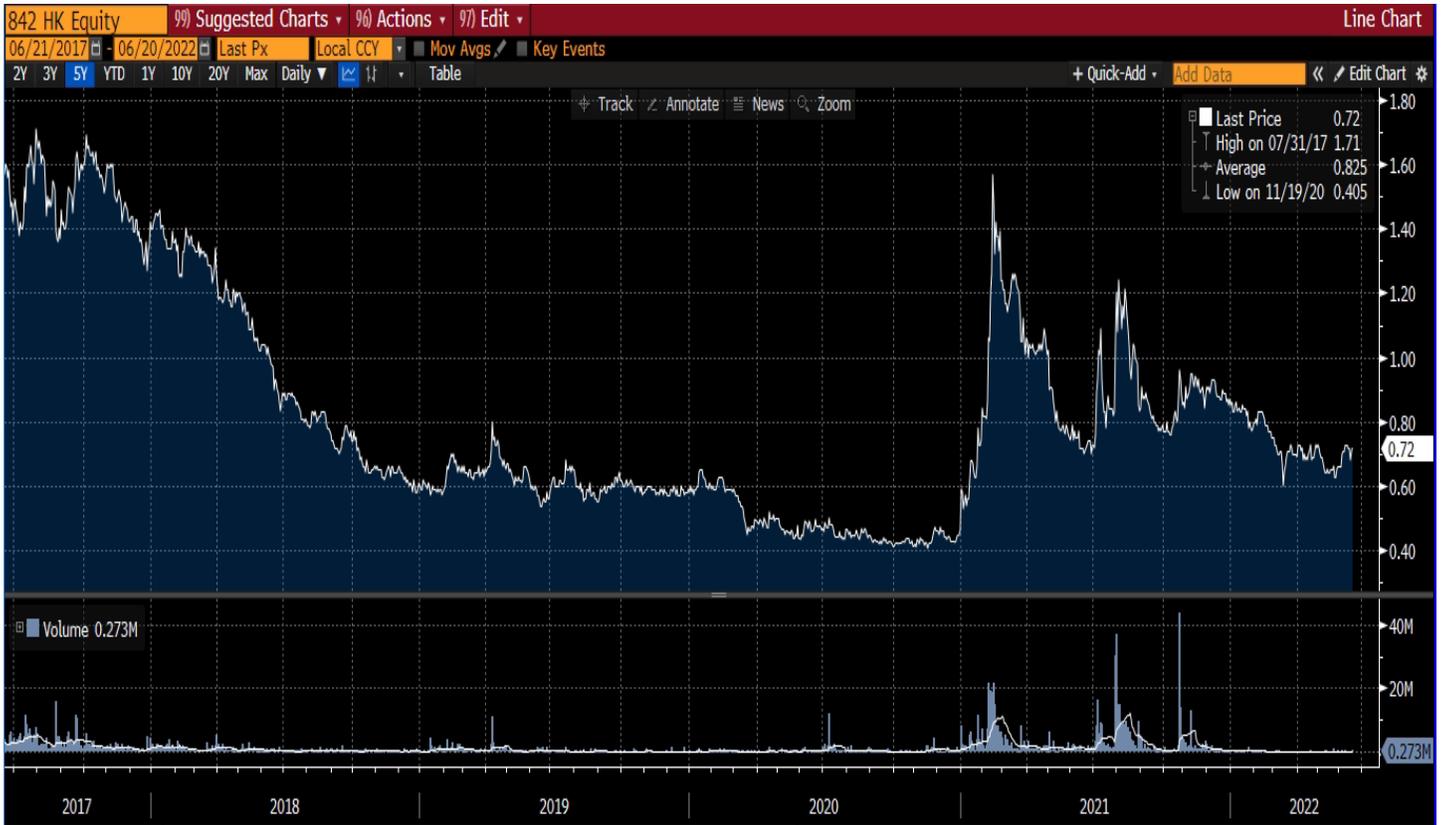
Innovative Business Model of Leoch International Technology

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 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	CAGR (2021-2025)
Revenue	9,631.4	11,303.1	12,384.0	14,411.7	16,241.1	18,567.2	13.2%
y/y	15.2%	17.4%	9.6%	16.4%	12.7%	14.3%	
Cost of Revenue	-8,443.1	-9,793.4	-10,699.8	-12,394.0	-13,967.3	-15,967.8	
Gross Profit	1,188.3	1,509.7	1,684.2	2,017.6	2,273.8	2,599.4	
Gross margin (%)	12.3%	13.4%	13.6%	14.0%	14.0%	14.0%	
Other Operating Revenue	17.4	35.9	36.6	37.3	38.1	38.8	
as a % of sales	0.2%	0.3%	0.3%	0.3%	0.2%	0.2%	
Selling, General & Admin Expense	-920.3	-1,131.7	-1,282.4	-1,531.5	-1,702.3	-1,920.6	
as a % of sales	9.6%	10.0%	10.4%	10.6%	10.5%	10.3%	
Other Operating expenses	-35.9	-102.6	-112.4	-130.8	-147.4	-168.5	
as a % of sales	0.4%	0.9%	0.9%	0.9%	0.9%	0.9%	
Operating Income	249.6	311.3	326.0	392.7	462.1	549.2	15.3%
y/y	22.7%	24.7%	4.7%	20.5%	17.7%	18.8%	
Operating margin (%)	2.6%	2.8%	2.6%	2.7%	2.8%	3.0%	
Interest Expense	-158.2	-143.9	-142.3	-156.6	-156.6	-156.6	
Interest income	11.3	10.8	12.2	20.7	31.4	36.0	
Equity in (losses)/income of affiliates	0.0	0.0	0.0	0.0	0.0	0.0	
Other recurring (expenses)/income	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	
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	
Other non recurring (expenses) income	-1.9	-24.0	0.0	0.0	0.0	0.0	
Pretax Income (reported)	161.0	192.0	233.6	294.6	374.7	466.4	24.8%
y/y	1.4%	19.3%	21.7%	26.1%	27.2%	24.5%	
Pretax Income (adjusted)	162.8	192.0	233.6	294.6	374.7	466.4	24.8%
y/y	62.4%	17.9%	21.7%	26.1%	27.2%	24.5%	
- Income Tax Expense	-23.7	-25.2	-30.7	-38.7	-49.3	-61.3	
effective tax rate (%)	14.7%	13.1%	13.1%	13.1%	13.1%	13.1%	
- Minority Interests	14.2	30.6	33.7	37.0	40.7	44.8	
Income Before XO Items	123.1	136.2	169.2	218.8	284.8	360.3	27.5%
y/y	-7.2%	10.7%	24.3%	29.3%	30.1%	26.5%	
- Extraordinary Loss Net of Tax	0.0	0.0	0.0	0.0	0.0	0.0	
Net Income (reported)	123.1	136.2	169.2	218.8	284.8	360.3	27.5%
y/y	-7.2%	10.7%	24.3%	29.3%	30.1%	26.5%	
Exceptional (L)G	0.00	0.00	0.00	0.00	0.00	0.00	
Net Income (adjusted)	124.9	136.2	169.2	218.8	284.8	360.3	27.5%
y/y	68.6%	9.0%	24.3%	29.3%	30.1%	26.5%	
Basic EPS (reported)	0.09	0.10	0.12	0.16	0.21	0.26	
Basic EPS (adjusted)	0.09	0.10	0.12	0.16	0.21	0.26	
Basic Weighted Avg Shares	1,358	1,360	1,360	1,360	1,360	1,360	
Diluted EPS (reported)	0.09	0.10	0.12	0.16	0.21	0.26	27.5%
y/y	-7.2%	10.4%	24.3%	29.3%	30.1%	26.5%	
Diluted EPS (adjusted)	0.09	0.10	0.12	0.16	0.21	0.26	27.5%
y/y	68.6%	8.8%	24.3%	29.3%	30.1%	26.5%	
Diluted Weighted Avg Shares (mn)	1,358	1,360	1,360	1,360	1,360	1,360	

Balance Sheet (millions RMB)	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E
Assets						
+ Cash & Near Cash Items	848.5	951.7	1,616.1	2,459.2	2,818.1	3,199.6
+ Short-Term Investments	0.0	0.0	0.0	0.0	0.0	0.0
+ Accounts & Notes Receivable	2,419.7	2,725.7	2,714.3	3,158.7	3,559.7	4,069.5
+ Inventories	1,776.9	2,019.3	2,198.6	2,207.2	2,487.3	2,843.6
+ Other Current Assets	549.1	397.6	405.6	413.7	422.0	430.4
Total Current Assets	5,594.2	6,094.3	6,934.5	8,238.8	9,287.0	10,543.1
+ Long-Term Investments	0.0	0.0	0.0	0.0	1.0	2.0
+ Gross Fixed Assets	4,433.5	5,009.7	5,319.3	5,679.6	6,085.6	6,549.8
- Accumulated Depreciation	-2,092.1	-2,628.8	-3,248.0	-3,939.7	-4,688.1	-5,509.5
+ Net Fixed Assets	2,371.7	2,291.8	2,071.3	1,739.9	1,397.5	1,040.3
+ Other Long-Term Assets	389.2	436.8	454.3	472.4	491.3	511.0
+ Goodwill & other Intangible Assets	717.8	773.2	799.5	836.1	877.4	924.6
Total Long-Term Assets	3,478.7	3,501.8	3,325.1	3,048.4	2,767.2	2,477.9
Total Assets	9,072.8	9,596.1	10,259.6	11,287.2	12,054.3	13,021.0
Liabilities & Shareholders' Equity						
+ Accounts Payable	2,139.4	2,319.3	2,784.9	3,565.4	4,018.0	4,593.5
+ Short-Term Borrowings	1,760.8	2,042.5	2,042.5	2,042.5	2,042.5	2,042.5
+ Other Short-Term Liabilities	1,097.5	1,190.8	1,250.3	1,312.8	1,378.5	1,447.4
Total Current Liabilities	4,997.8	5,552.5	6,077.7	6,920.7	7,439.0	8,083.4
+ Long-Term Borrowings	542.4	329.7	329.7	329.7	329.7	329.7
+ Other Long-Term Liabilities	132.7	134.8	137.5	140.3	143.1	145.9
Total Liabilities	5,672.9	6,017.1	6,544.9	7,390.7	7,911.8	8,559.0
+ Total Preferred Equity	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
+ Retained Earnings & Other Equity	3,123.4	3,271.7	3,440.9	3,659.7	3,944.5	4,304.8
Total Shareholders' Equity	3,239.6	3,387.9	3,557.2	3,776.0	4,060.7	4,421.0
+ Minority Interest	160.3	191.1	157.5	120.4	81.7	40.9
Total Liabilities & Equity	9,072.8	9,596.1	10,259.6	11,287.2	12,054.2	13,021.0

Cash Flow (millions RMB)	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E
+ Net Income	148.6	164.0	169.2	218.8	284.8	360.3
+ Depreciation & Amortization	454.8	536.7	619.2	691.8	748.4	821.4
+ Other Non-Cash Adjustments	182.7	182.2	-31.0	-34.3	-37.9	-41.9
+ Changes in Non-Cash Capital	-23.0	-164.2	862.7	382.0	-171.2	-230.1
Cash From Operating Activities	763.0	718.7	1,620.2	1,258.3	824.0	909.6
+ Disposal of Fixed Assets	9.5	7.4	0.0	0.0	1.0	2.0
+ Capital Expenditures	-644.9	-576.2	-309.6	-360.3	-406.0	-464.2
+ Increase in Investments	-33.3	-141.2	-17.5	-18.2	-19.9	-20.7
+ Decrease in Investments	147.8	9.0	0.0	0.0	1.0	2.0
+ Other Investing Activities	30.1	11.5	-26.2	-36.6	-41.3	-47.2
Cash From Investing Activities	-490.8	-689.4	-353.3	-415.1	-465.2	-528.0
+ Dividends Paid	-24.8	0.0	0.0	0.0	0.0	0.0
+ Change in Short-Term Borrowings	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Long-Term Borrowing	5,230.2	5,353.6	0.0	0.0	0.0	0.0
+ Decrease in Long-term Borrowing	-5,152.0	-5,244.2	0.0	0.0	0.0	0.0
+ Increase in Capital Stocks	0.022	0.1	0.0	0.0	0.0	0.0
+ Decrease in Capital Stocks	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Financing Activities	-165.3	-150.7	0.0	0.0	0.0	0.0
Cash from Financing Activities	-111.9	-41.2	0.0	0.0	0.0	0.0
Net Changes in Cash	160.3	-11.9	1,266.8	843.2	358.8	381.5
Opening cash	280.9	387.1	349.2	1,616.1	2,459.2	2,818.1
Closing cash	387.1	349.2	1,616.1	2,459.2	2,818.1	3,199.6

Ratio Analysis	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E
Per Share Data (RMB)						
Basic EPS (adjusted)	0.09	0.10	0.12	0.17	0.22	0.27
Diluted EPS (adjusted)	0.09	0.10	0.12	0.17	0.22	0.27
Dividend per share (DPS)	0.000	0.000	0.000	0.000	0.000	0.000
Book Value per share (BVPS)	1.9	1.9	2.0	2.2	2.4	2.6
Margins (%)						
Gross Margin	12.3%	13.4%	13.6%	14.0%	14.0%	14.0%
Operating Margin	2.6%	2.8%	2.6%	2.7%	2.8%	3.0%
EBITDA Margin	7.3%	7.6%	7.6%	7.5%	7.5%	7.4%
Pre-Tax Margin (adjusted)	1.7%	1.7%	1.9%	2.1%	2.4%	2.6%
Net Income Margin (adjusted)	1.3%	1.2%	1.4%	1.6%	1.8%	2.0%
Growth (%)						
Sales growth	15.2%	17.4%	9.6%	16.4%	12.7%	14.3%
EBIT growth	22.7%	24.7%	4.7%	20.5%	17.7%	18.8%
Net Income (adjusted) growth	68.6%	9.0%	24.3%	35.5%	28.4%	26.6%
EPS (adjusted) growth	68.6%	8.8%	24.3%	35.5%	28.4%	26.6%
Return Ratios						
Dupont ROE (%)	3.9%	4.0%	4.8%	6.1%	7.2%	8.4%
Margin (%)	1.3%	1.2%	1.4%	1.6%	1.8%	2.0%
Turnover (x)	1.1	1.2	1.2	1.3	1.3	1.4
Leverage (x)	2.8	2.8	2.9	3.0	3.0	2.9
ROA	1.4%	1.4%	1.6%	2.0%	2.4%	2.8%
Return on Capital Employed	6.1%	7.7%	7.7%	8.9%	9.9%	11.0%
Return on Invested Capital	2.3%	2.4%	2.9%	3.7%	4.6%	5.5%
Net cash / equity	-44.9%	-41.9%	5.2%	25.4%	38.5%	50.4%
FCF Calculation						
Op. cash	763.0	532.7	1,399.9	975.6	833.8	922.1
capex	-520.0	-282.6	-123.8	-144.1	-162.4	-185.7
FCF (RMB million)	243.0	250.1	1,276.1	831.4	671.3	736.4
FCF margin (%)	2.5%	2.2%	10.3%	5.8%	4.1%	4.0%
FCF per share	0.18	0.18	0.94	0.61	0.49	0.54
Price/FCF per share	3.3	3.3	0.6	1.0	1.2	1.1
Net Cash calculation						
Cash + short term investments	848.5	951.7	2,555.7	3,332.4	3,944.5	4,617.1
Less: long term debt	-2,303.3	-2,372.2	-2,372.2	-2,372.2	-2,372.2	-2,372.2
Net Cash (Debt)	-1,454.8	-1,420.5	183.5	960.2	1,572.3	2,244.9
Net cash per share	-1.1	-1.0	0.1	0.7	1.2	1.7

Valuation ratio's	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E
P/B	0.32	0.31	0.30	0.28	0.25	0.23
P/E	6.51	5.98	4.81	3.55	2.77	2.18
P/S	0.08	0.07	0.07	0.06	0.05	0.04
EV/sales	0.25	0.21	0.19	0.17	0.15	0.13
EV/EBITDA	3.44	2.82	2.57	2.24	2.00	1.77
EV/EBIT	9.57	7.67	7.33	6.08	5.17	4.35
EV/FCF	9.83	9.55	1.87	2.87	3.56	3.24
Dividend Yield (%)	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%
Receivable days	90	80	80	80	80	80
Inventory days	78	75	70	65	65	65
payables days	90	95	100	105	105	105
Current ratio	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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