

Current Price	US\$ 1.35
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**Hywin Holdings Ltd.**  
Restructuring Update

**(NASDAQ: HYW)**  
China Independent Wealth



Market Cap.	US\$ 76 mn
Shares Outstanding	28 mn
Free Float (FF / %)	3.08 mn - 11%
52 Week Range (US\$)	\$1.04 - \$7.50
Russell 2000 Index	2,114
Insider Holding %	89%

Hywin announced a broad business transformation plan in response to overall market and regulatory conditions in China. This will lead to a short-term period of significant business transition, in terms of personnel and operations, as well as financial results. Hywin should emerge as a growth company post this period, but likely from a lower base level of revenues and profits. The stock price, under considerable pressure since November last year, has clearly anticipated some of this uncertainty, and trades at a hefty discount to the large net cash on position on its last reported balance sheet. Investors will know more once the December-end half year results are released with a conference call. In the meantime, our own prior financial forecasts stand revoked and are subject to revision post further company disclosure.

As part of its transformation, Hywin will shift its wealth management product distribution away from asset-backed products, which often were fixed return products backed by real estate assets, to more public market funds and NAV-based products. Hywin's exposure to real estate backed products has been reduced considerably over the past several years, and we have highlighted this in our prior Update Notes. Hywin now has ceased to distribute such asset-backed products. Going forward, wealth management products and services will be supplemented by insurance brokerage services. Hywin is still in the process of investigating client losses from any prior products it has distributed, and is working with product originating asset managers and industry participants to seek possible solutions to these client issues.

Risk: Above Average  
Forecasting and Valuations

(RMB mn except ratio)	FY06/2023A
Revenue	2,092
Net Income	138
EPS (RMB)	4.64
EPS (US\$)	0.65
EPS Growth	-45%
PE	2.1
EV/EBITDA	NA
FCF Yield	NA

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Recent regulatory policies and licenses renewal grants Hywin the ability to support its current clients through the distribution of public market funds and certain private market funds, while continuing to grow via procuring more institutional client opportunities. Overseas, Hywin retains the ability to market a full suite of wealth management and asset management products and services. This remains a promising

area for Hywin, and it perfectly matches high net worth clients' desire to seek higher returns and diversification overseas. Additionally, Hywin will continue to grow its health care business unit.

Hywin has warned investors regarding its transformation process, and advised all to be cautious regarding investing in the stock. Financial results and the scale of the business will likely be impacted in the short-term, creating volatility for shareholders. Forthcoming results may not be comparable to prior periods. Given these formal comments from Hywin, we are suspending our stock rating till there is more clarity on the future prospects once financial results are reported, likely in a few weeks' time.

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