

13 March 2015

增持
维持

业绩开花

惠理集团 (806:HK)

Market Data: Mar,12

Closing Price (HK\$)	6.54
Price Target (HK\$)	7.58
HSCEI	11,566
HSCCI	4,423
52-week High/Low (HK\$)	6.99/4.40
Market Cap (USD Mn)	1,549
Market Cap (HK\$ Mn)	12,033
Shares Outstanding (Mn)	1,840
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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Related Reports

"VALUE PARTNERS GROUP (806:HK) – Growth fund" Jan 6,2015

"VALUE PARTNERS GROUP (806:HK) – Pay for performance" Nov 10,2014

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (HK\$m)	1027.58	1599.45	1602.12	1731.80	1896.22
YoY (%)	57.71	55.65	14.20	8.09	9.46
Net income (HK\$m)	381.25	801.40	893.18	937.07	972.54
YoY (%)	3.19	110.21	20.56	4.91	7.23
EPS (HK\$)	0.22	0.45	0.51	0.53	0.55
Diluted EPS (HK\$)	0.22	0.45	0.51	0.53	0.55
ROE (%)	13.00	20.62	26.11	25.05	24.54
Dividend yield (%)	1.64	3.48	3.80	3.99	4.22
P/AUM	0.16	0.14	0.13	0.11	0.10
PE (x)	29.82	14.37	13.15	12.53	11.85
PB (x)	4.05	2.97	3.47	3.18	2.92

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

2014 年业绩强劲增长。惠理集团昨晚宣布 2014 年收入同比增长 55.6%至港币 16 亿（我们预测港币 14 亿），公司权益持有人应占纯利同比增长 109.3%至港币 8 亿（我们预测港币 7.4 亿）。每股盈利同比增长 107.3%至港币 45.4 港仙（与我们预测一致，但大幅高于彭博一致预期港币 30 港仙）。今年的每股股息总额由每股末期股息（港币 16 港仙，同比增长 49.5%）和每股特别股息（港币 6 港仙）组成达到港币 22 港仙，同比增长 105.6%。惠理集团的管理资产在 2014 年底达到新高 129 亿美元。

稳健的基金表现费。强劲的业绩增长主要来自于基金管理费（同比增长 24%至港币 7.5 亿）和基金表现费（同比增长 108%至港币 6.6 亿）的可见增长，同时公司财资业务（公司自己的种子资本和自有资金投资于公司旗下基金）的公平值收益净额显著上升，从 2013 年的港币 4200 万的亏损到 2014 年 1.1 亿的盈利。

高水位线。惠理集团的六个主要自有管理的基金产品于 2014 年录得继 2010 年以来的另一次高水位线，即六个产品均可在 2014 年录得 15%的基金表现费。其中两只规模最大的基金-惠理价值基金及惠理高息股票基金的表现分别超出其新高价的 16%及 11%，带动费用收入大幅增长。

维持增持评级。惠理集团将持续开拓产品的分销网络，拓展全球发展步伐。公司的中国市场的发展包括基金产品的发行和小贷业务的扩张将会为公司业绩带来新的亮点。我们维持对 2015 年/2016 年的资产管理规模预测分别为 130 亿美元和 154 亿美元，并加入 2017 年的预测为 222 亿美元。2015/2016/2017 年每股盈利分别为港币 0.51/0.53/0.55。因此我们维持目标价在港币 7.58 元，对应 0.12 倍的 2015 年 P/AUM。目标价距离最新收盘价 16% 的上升空间，我们维持增持评级。

Results beat. Value Partners reported 2014 revenue of HK\$1.6bn (+55.6% YoY vs our forecast of HK\$1.4bn) and net profit of HK\$804.2m (+109.3% YoY), resulting in EPS of HK\$0.45 (+107.3% YoY vs our forecast of HK\$0.42 and consensus forecast of HK\$0.30). The company announced a final dividend of HK\$0.16 (+49.5% YoY) and a special dividend (HK\$0.06) to bring total dividend to HK\$0.22 (+105.6% YoY). Value Partners increased assets under management (AUM) to an all time high of US\$12.9bn (+22.9 YoY) by end-2014.

Robust performance fees. The sharp uptick in earnings was driven chiefly by growth in performance fees (+108% YoY to HK\$659m), amid a boom in the domestic stock markets in 2H14, while management fees rose 24% YoY to HK\$748m as AUM expanded. In addition, we note significant net fair value gains of the company's treasury operations, including its own seed capital investments in and its own funds, increasing from a net loss of HK\$42m in 2013 to a net gain in 2014 of HK\$110m.

New high-watermarks across the board. All six of Value Partners' own-branded funds recorded new high watermarks for the year in 2014, a feat last achieved by the company in 2010. In particular, Value Partners Classic Fund and Value Partners High-Dividend Stocks Fund, the Group's two largest own branded funds, exceeded their respective high watermarks. The VP Classic Fund exceeded its previous high watermark by 16% and the VP High-Dividend Stocks Fund beat by 11%.

Maintain Outperform. The company continues to expand its retail distribution channels and global products, and with its strong China equities exposure and a local small loans business, we expect the firm to take benefit from continued strong performance in domestic financial markets; we see more records in 2015 as likely. We maintain our forecast AUM growth to US\$15.4bn (+18.2% YoY) in 15E, to US\$18.4bn (+19.6% YoY) in 16E, and to US\$22.2bn (+21.0% YoY) in 17E. We maintain our EPS forecasts of HK\$0.51 in 15E (+13.3% YoY), HK\$0.53 in 16E (+3.9% YoY) and forecast EPS of HK\$0.55 in 17E (+3.8% YoY). We maintain our target price at HK\$7.58, representing 0.12x 15E P/AUM. With 16% upside, we maintain our Outperform rating.

AUM expansion

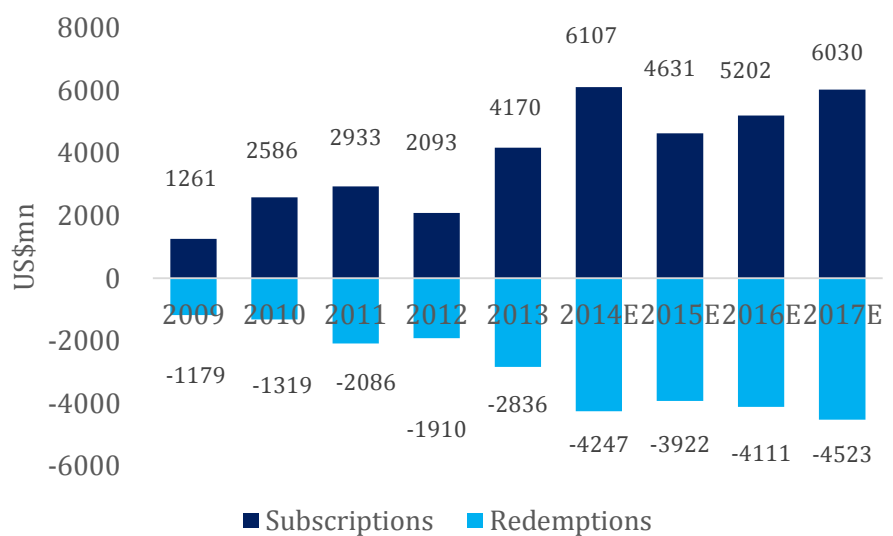
As of end-2014, Value Partners had a total of US\$12.9bn in AUM, beating our original full-year 2014 expectation of US\$12bn in AUM. The rapid growth in AUM matches the sharp uptick in A-share markets trading turnover in the later months of 2014. We also attribute a proportion of the new investment to the company's release of new products, which saw unexpectedly rapid growth in AUM, due to the surge in investment demand in the market.

Fig 1: AUM reached US\$12.9bn



Source: Company data, SWS Research

Fig 1: Net subscription reached US\$1.5bn



Source: Company data, SWS Research

Fig 3: Details of managed funds by end-2014

Code	Fund name	AUM (US\$m)	Currency	NAV (US\$)	Management fee	Performance fee	Launch Date
VLPAPAI KY	VP Classic Fund	1466.0	US\$	267.0	0.75% pa.	15% of profit	01/04/1993
VALASHY KY	VP High-Dividend Stocks Fund	2888.5	US\$	74.6	1.25% pa	15% of profit	02/09/2002
VPCHIGC KY	VP China Greenchip Fund limited	675.7	HK\$	60.9	1.5% pa	15% of profit	27/03/2007
VAPAICB KY	VP China Convergence Fund	342.1	US\$	146.9	1.25% pa	15% of profit	14/07/2000
VAPAICM KY	VP Chinese Mainland Focus Fund	141.4	US\$	40.6	1.25% pa	15% of profit	27/11/2003
VTAIWAN KY	VP Taiwan Fund	61.5	US\$	15.4	1.25% pa	15% of profit	03/03/2008
VAGCUUH ID	Classic Equity Fund	119.6	US\$	13.6	1.25% pa	15% of profit	14/05/2012
VPCAARM HK	China A-Share Select Fund	355.7	Rmb	11.8	1.5% pa	15% of profit	16/10/2014
VPGCPUA KY	VP Greater China High Yield Income Fund	984.0	US\$	11.8	1.5% pa	Nil	27/03/2012
3046 HK	Value China ETF	120.5	HK\$	40.2	0.7% pa	Nil	10/12/2009
3084 HK	Value Japan ETF	79.9	HK\$	12.0	0.7% pa	Nil	22/05/2012
3041 HK	Value Korea ETF	65.7	HK\$	29.2	0.7% pa	Nil	23/05/2012
3060 HK	Value Taiwan ETF	69.7	HK\$	35.7	0.7% pa	Nil	23/05/2012
3081 HK	Value Gold ETF	845.6	HK\$	29.4	c.0.15% pa	Nil	03/11/2010
	Own branded funds	6888.8					
	Other own branded funds (estimate)	1722.2					
	Total own branded funds (estimate)	8611.0					
	Total white label & co-branded funds (estimate)	4289.0					
	Total	12900.0					

Source: Company data, SWS Research

Fig 4: NAV of major funds

(US\$)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
VP Classic Fund	79.72	84.38	97.78	138.61	195.6	101.94	186.48	224.13	185.64	211.59	235.21	267.03
VP High-Dividend Stocks Fund	19.86	21.62	24	32.39	46.71	24.85	45.43	57.17	50.39	63.09	68.23	74.64
VP China Greenchip Fund (HK\$)	18.59	18.87	21.92	31.49	42.94	18.28	39.62	54.6	40.95	51.09	59.5	60.92
VP China Convergence Fund	36.26	36.55	37.97	70.97	111.16	60.93	114.03	138.37	107.34	117.34	128.14	146.89
VP Chinese Mainland Focus Fund	10.39	11.26	12.57	18.62	29.05	16.04	29.84	36.98	30.4	33.93	36.73	40.63
VP Taiwan Fund	-	-	-	-	-	6.43	10.16	12.11	10.53	13.28	15.1	15.42
Classic Equity Fund												13.61
China A-Share Select Fund												11.81

Source: Bloomberg SWS Research, Grey highlight denotes historical high watermarks for each fund

Fig 5: NAV and watermark level of performance receiving funds



Source: Bloomberg, SWS Research

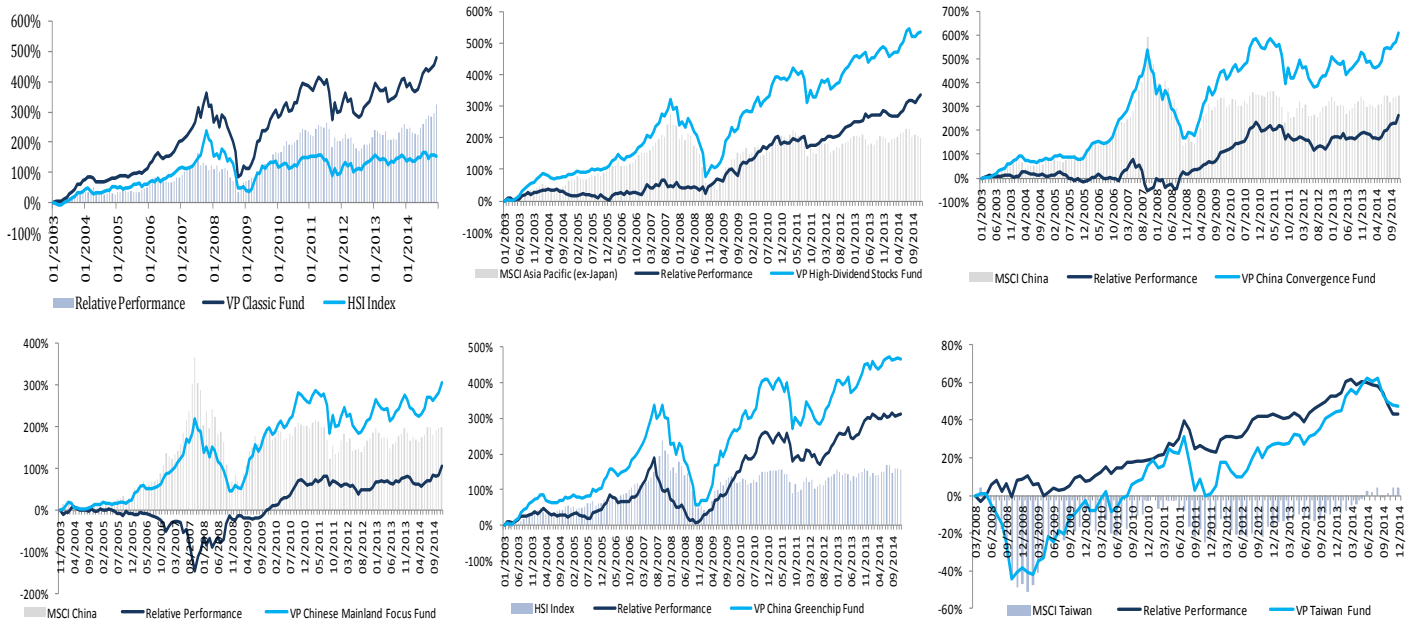
All six of Value Partners' own-branded funds recorded new high watermarks for the year in 2014, a feat last achieved in 2010 by the company

Fig 6: Estimated performance fees for end-2014

	Latest high watermark (US\$m)	Latest NAV (US\$m)	Latest AUM (US\$m)	2014E performance fees (HK\$m)
VP Classic Fund (A unit)	235.21	267.03	1466.04	203.35
VP High-Dividend Stocks Fund	68.23	74.64	2888.49	288.74
VP China Greenchip Fund (HK\$)	7.67	7.85	676.04	18.34
VP China Convergence Fund	138.37	146.89	342.10	23.10
VP Chinese Mainland Focus Fund	36.98	40.63	141.40	14.79
VP Taiwan Fund	15.10	15.42	61.50	1.49
Total forecast performance fees		552.46		549.80

Source: Company data, Bloomberg SWS Research

Fig 7: Relative performance vs. benchmarks



Source: Bloomberg, SWS Research

APPENDIX

Fig 1: Forecast Income Statement

HK\$m	2011	2012	2013	2014	2015E	2016E	2017E
Turnover	688.94	651.58	1027.58	1599.45	1602.12	1731.80	1896.22
Management fees	491.43	461.80	603.87	748.04	777.60	850.10	935.11
Performance fees	139.53	112.09	316.99	659.24	639.72	669.17	727.33
Other fees	57.97	77.69	106.72	192.17	184.81	212.53	233.78
Other income	24.76	54.12	45.21	30.05	49.84	52.33	34.78
Distribution and advisory fee expenses	166.94	178.97	252.58	370.44	323.99	361.26	397.39
Distribution fee expenses	160.63	175.32	248.53	366.38	319.93	357.20	393.33
Advisory fee expenses	6.31	3.65	4.06	4.06	4.06	4.06	4.06
Total operating income	546.76	526.73	820.20	1259.05	1327.98	1422.87	1533.62
Compensation and benefit expenses	181.99	197.05	267.73	402.51	300.87	339.49	382.32
Wages, salaries and allowances	102.63	123.62	132.51	160.09	190.81	228.98	276.64
Operating lease rentals	11.97	12.94	13.47	21.37	14.85	15.59	24.74
Other expenses	59.17	62.38	70.85	85.57	78.11	82.02	99.06
Total operating expenses	253.13	272.38	352.04	509.45	393.83	437.09	506.11
EBIT	293.63	254.35	468.16	749.60	934.15	985.78	1027.50
Other gains/(losses) - net	-84.03	176.93	-9.67	160.42	100	100	100
Operating profit	209.60	431.29	458.50	910.02	1034.15	1085.78	1127.50
Share of profit of an associate	-0.19	-16.15	1.18	20.63	16.65	16.66	16.66
Share of profit/(loss) of joint ventures	-2.35	0.00	0.00				
Profit before tax	207.07	415.14	459.68	930.65	1050.80	1102.43	1144.16
Tax expense	-42.30	-45.66	-78.43	-129.25	-157.62	-165.37	-171.62
Profit for the year	164.77	369.48	381.25	801.40	893.18	937.07	972.54
Attributable to:							
Equity holders of the Company	167.30	376.36	384.32	804.18	890.18	934.07	975.54
Minority interests	-2.53	-6.88	-3.08	-2.78	-3.00	-3.00	-3.00

Source : Company data, SWS Research

Fig 2: Forecast Balance Sheet

HK\$m	2011	2012	2013	2014	2015E	2016E	2017E
Assets							
PPE	7.95	8.13	7.75	13.75	4.91	5.16	5.42
Intangible assets	1.58	52.67	54.40	32.41	58.43	59.60	60.79
Investment properties	58.74	78.00	102.00	0.00	0.00	0.00	0.00
Investment in an associate	0.71	0.00	90.94	102.65	101.57	106.65	111.98
Interest in joint ventures	6.48	0.00	0.00	0.00	0.00	0.00	0.00
Investment securities/available-for-sale financial assets	660.11	959.56	953.14	889.62	990.07	1039.58	1091.56
Deferred tax assets	0.00	0.33	0.40	3.80	0.80	0.96	1.15
Other assets	1.85	13.53	13.99	8.70	9.41	9.60	9.79
Loan portfolio, net			8.02	141.03	102.83	104.89	106.98
Total non-current assets	737.43	1112.21	1230.64	1191.96	1268.02	1326.42	1387.66
Investments/financial assets at fair value through profit or loss	164.92	21.08	240.86	178.93	196.82	216.51	238.16
Investments held-for-sale			245.90	29.53	30.12	30.72	31.34
Fees receivable	654.29	61.43	179.07	693.60	710.94	728.71	746.93
Loans portfolio, net			0.34	171.09	176.23	181.51	186.96
Amounts receivable on sale of investments		17.75	164.22	254.94	260.03	265.23	270.54
Prepayments and other receivables	16.89	19.61	33.47	41.42	42.25	43.10	43.96
Time deposit				250.17	250.17	250.17	250.17
Cash and cash equivalents	216.51	1315.35	888.09	1551.00	1628.55	1709.98	1795.48
Total current assets	30.72	1435.22	1751.95	3170.68	3295.11	3425.93	3563.53
Total assets	728.71	2547.43	2982.59	4362.64	4563.13	4752.35	4951.19
Liabilities							
Accrued bonus	0.00	0.00	0.00	0.56	0.00	0.00	0.00
Total non-current liabilities	43.10	0.00	0.00	0.56	0.00	0.00	0.00
Accrued bonus	250.17	69.50	68.24	235.51	130.11	132.71	135.37
Distribution fees payable	1709.98	23.93	28.92	77.02	57.02	58.16	59.32
Amounts payable on purchase of investments	3425.93		135.03	0.00	0.00	0.00	0.00
Other payables and accrued expenses - unsecured	76.48	21.20	17.87	36.11	19.68	20.07	20.47
Current tax liabilities	73.50	8.79	15.35	64.82	1026.52	909.35	772.41
Dividends payable							
Total current liabilities	374.13	123.42	265.41	476.43	1233.33	1120.29	987.57
Total liabilities	374.16	123.42	265.41	476.43	1233.33	1120.29	987.57
Equity							
Share capital, share premium and treasury shares	866.72	889.21	889.21	1336.98	889.21	889.21	889.21
Other reserves	150.17	153.67	181.65	191.19	200.75	210.78	221.32
Retained earnings	1401.05	1287.00	1561.56	2281.42	2144.95	2428.56	2740.13
proposed dividends	280.35	101.80	280.83	404.07	433.42	454.98	487.77
others	1120.70	1185.20	1280.73	1877.36	1711.53	1973.58	2252.36
Non-controlling interests		94.13	84.75	76.62	94.90	103.51	112.96
Total equity	2417.93	2424.01	2717.18	3886.21	3329.80	3632.06	3963.62

Source : Company data, SWS Research

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Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

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