

19 March 2015

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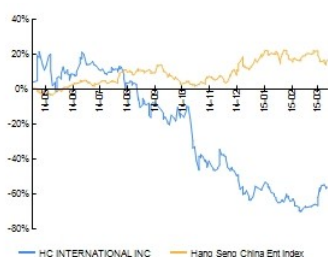
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慧聪网 (2280:HK)

Market Data: Mar, 18

Closing Price (HK\$)	6.95
Price Target (HK\$)	9.5
HSCEI	11,981
HSCCI	4,463
52-week High/Low (HK\$)	22.10/4.73
Market Cap (USD Mn)	598
Market Cap (HK\$ Mn)	4,637
Shares Outstanding (Mn)	667
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

Analyst

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Related Reports

"HC International (2280 HK) -Yellow pages to web pages" Jan 14,2015

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Financial summary and valuation

	2012	2013	2014E	2015E	2016E
Revenue (Rmbm)	549	838	995	1,209	1,386
YoY (%)	25.14	52.71	18.73	21.60	14.60
Net income (Rmbm)	67	153	214	302	376
YoY (%)	61.93	129.79	39.57	41.32	24.38
EPS (Rmb)	0.12	0.26	0.32	0.45	0.56
Diluted EPS (Rmb)	0.11	0.25	0.31	0.43	0.54
ROE (%)	21.58	24.67	22.55	24.85	22.06
Debt/asset (%)	48.24	48.36	54.44	50.57	46.32
Dividend Yield (%)	0.00	0.00	0.00	0.00	0.00
PE (x)	45.81	20.95	17.19	12.17	9.78
PB (x)	8.97	4.05	3.67	2.57	1.86
EV/Ebitda (x)	38.36	14.90	10.30	6.35	4.11

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

投资要点:

公告收购意向书。慧聪网 (2280 HK) 公告将收购中国一家领先的 IT 垂直门户网站, ZOL。ZOL 运营 www.zol.com.cn (中关村在线), www.zol.com (中关村商城) and www.ea3w.com (万维家电网)。这些网站主要向用户提供有关消费电子产品的评价、规格信息。主要盈利模式为, 互联网广告以及面向企业客户的综合营销解决方案。

收购总代价为人民币 15 亿元。其中 30% 将以现金支付, 余下 70% 将通过发新股的方式偿付。新股发行代价为每股港币 8.5, 较上一交易日收市价港币 6.95 溢价约 22%。

业绩承诺。ZOL 管理层承诺 2015/16/17 年内税后利润将达人民币 1/1.3/1.7 亿。按收购代价, 整体估值约 15x15PE, 估值合理。

潜在协同效应。ZOL 在 IT 垂直领域耕耘多年, 有着丰富的行业经验和用户数据积累, 将完善慧聪在该领域的行业覆盖。同时 ZOL 有着丰富的为大型企业客户提供综合的营销解决方案的经验, 这将有助于丰富慧聪的增值服务, 提高客户黏性和活跃度。然而, 我们目前对协同效应持相对谨慎观点, 需密切观察整合之后进展。

维持买入评级。预计合并之后, 慧聪 2015/16 年利润将分别增厚 1/1.3 亿至 4.02/5.06 亿; 考虑到发行新股稀释股权, 2015/16 年 EPS 将分别由 0.45/0.56 增厚至 0.49/0.62。不考虑收购, 当前股价对应 11.5x15PE, 估值仍相对便宜; 维持买入评级以及目标价港币 9.5。

催化剂: 小贷业务进展快于预期; B2B 转型超预期

风险: 季报业绩低于预期

Investment Highlights :

Proposed Acquisition. HC International proposed a 100% acquisition of a IT and consumer electronics vertical ZOL in China, which operates consumer electronics and home appliances information, specifications and product reviews sites www.zol.com.cn and www.ea3w.com, and consumer electronics e-commerce platform www.zol.com. The three sites generate the majority of their respective revenue through online advertising and integrated marketing solutions models.

Total consideration of Rmb1.5bn. HC International will pay 30% of the consideration in cash and the remainder via an issuance of new shares at HK\$8.5 per share, representing a 22% premium to the closing price of HK\$6.95 on 18 March.

Profit target set. Under the terms of the agreement, ZOL committed to achieving after-tax profit of Rmb100m in 2015, Rmb130m in 2016 and Rmb170m in 2017, which implies a valuation for the company of 15x 15E PE. We see this as a fair valuation for the firm.

Enriched coverage. ZOL is a leader in online consumer electronics services, which we see as having a significant overlap with HC's industry coverage. ZOL has quite mature integrated marketing solution for business clients, which would help HC to provide more comprehensive and efficient value-added services to its customers to increase user stickiness and activity.

Maintain Buy. The potential acquisition may enhance boost HC International's net profit by Rmb100 to Rmb402m in 15E, and by Rmb130m to Rmb506m in 16E. Adjusting for the dilutive effect of the stock issuance, the acquisition would boost our EPS forecasts from Rmb0.45 to Rmb0.49 in 15E and from Rmb0.56 to Rmb0.62 in 16E. However, prior to confirmation of the deal being completed, we maintain our forecasts at current levels. The company's stock is currently trading at 11.5x 15E PE, which we see as attractive. Our target price is HK\$9.5. With 36.7% upside, we maintain our BUY rating on the company.

Catalysts: Better-than-expected micro-loans business development; better-than-expected business model transition

Risks: quarterly results to miss

Appendix

Fig 1: Consolidated income statement

Rmbm	2012	2013	2014E	2015E	2016E
Revenue	549	838	995	1,209	1,386
Cost of Sales	(69)	(68)	(77)	(85)	(94)
Gross Profit	480	770	917	1,125	1,292
Other Income	3	3	4	7	8
Distribution expenses	(318)	(482)	(529)	(629)	(721)
Administrative expenses	(98)	(121)	(160)	(187)	(208)
Ebitda	87	193	256	343	400
EBIT	67	170	233	316	371
Finance Costs	(1)	(0)	(4)	(30)	(32)
Profit before tax	78	186	259	358	445
Income tax expense	(13)	(35)	(45)	(55)	(69)
Minority interests	(1)	(2)	0	0	0
Profit for the year	67	153	214	302	376

Source: Company reports, SWS Research

Fig 2: Consolidated cash flow statement

Rmbm	2012	2013	2014E	2015E	2016E
Profit before taxation	78	186	259	358	445
Plus: Depr. and amortization	21	24	23	28	29
Finance cost	(1)	(0)	(4)	(30)	(32)
Losses from investments	0	0	0	0	0
Change in working capital	46	(45)	86	137	121
Others	7	200	(4)	12	10
CF from operating activities	152	365	360	505	573
CAPEX	(91)	(267)	(118)	(42)	(36)
Other CF from investing activities	0	0	0	0	0
CF from investing activities	(91)	(267)	(118)	(42)	(36)
Equity financing	110	458	0	0	0
Net change in liabilities	(2)	200	40	60	45
Dividend and interest paid	0	0	0	0	0
Other CF from financing activities	(1)	(150)	0	0	0
CF from financing activities	107	508	40	60	45
Net cash flow	168	605	281	523	582
FCFF	(61)	(61)	12	116	185
FCFE	(63)	51	52	176	230

Source: Company reports, SWS Research

Fig 3: Consolidated balance sheet

Rmbm	2012	2013	2014E	2015E	2016E
Current Assets	571	1,208	1,538	2,103	2,731
Bank balances and cash	423	1,025	1,306	1,829	2,411
Trade and other receivables	63	46	73	81	99
Inventories	0	0	0	0	0
Other current assets	85	136	159	194	222
Long-term investment	0	20	25	35	50
PP&E	208	423	542	600	671
Intangible and other assets	76	306	340	390	442
Total Assets	855	1,957	2,446	3,128	3,894
Current Liabilities	400	622	831	1,048	1,240
Borrowings	2	12	83	114	135
Trade and other payables	45	85	126	177	238
Other current liabilities	353	525	622	757	868
Long-term liabilities	13	324	500	534	563
Total Liabilities	413	946	1,331	1,582	1,804
Minority Interests	97	113	113	113	113
Shareholder Equity	346	897	1,001	1,433	1,977
Share Capital	58	66	66	66	66
Reserves	276	666	556	685	853
Retained earnings	12	165	379	682	1,058
Total Liabilities and equity	855	1,957	2,446	3,128	3,894

Source: Company reports, SWS Research

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BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

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

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

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

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

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Equal weight : Industry performs about the same as that of the whole market ;

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