

# Wisdom Holdings (1661 HK)

## Ready for the age of Mass Sporting

The FY14 result is largely in-line with our forecasts despite the topline is slightly lower than our estimation, net profit came in slight ahead of forecast. The lower topline is primarily due to the decrease in program production revenue. The Sports Event business achieved outstanding growth as expected. We reiterate BUY rating and adjust downward our forecast on revenue in FY15/16 by 10%/17% and trimmed our TP by 2.4% to HK\$6.46 with a target PE of 22.3x.

### Lower revenue from Program & Ads business caused the topline miss.

The actual P&A revenue was Rmb551m (-9% YoY), 9% lower than our expectation. The drop was due to the decrease in revenue from the program production. P&A revenue, which decreased 7% YoY, is a mature business segment, which provides steady income stream, and we expect the growth will be relatively mild at 8% in the next two years. The gross margin of P&A business is 40% in FY14, decreased from 46% in FY13, and lower than the GM of Sports Event's 60%.

### Strong growth in Sports and Entertainment Event business in FY14.

Events revenue was Rmb253m (+149% YoY) and in-line with our forecast. The surge was due to 1) The introduction of new sports event such as the World Cup of International Dragon Boat and "Season Run", and marathons operated in more cities; 2) More revenue generated from the existing marathon in Hangzhou and Guangzhou. Looking forward, Wisdom will operate 10 Season Run in 2015 and intends to shape the event into a Carnival-like festival that can increase revenue source from various pipelines. We expect the revenue will increase 99%/31% in FY15/FY16, due to the increase in events and revenue per event.

### Exploring opportunities in inter-provincial Mass Sporting Events.

Wisdom entered into a series of strategic cooperation agreements with 13 provincial and municipal sports authorities and established a Mass Sporting Events Alliance to pave the way for large-scale inter-regional sporting events in future. With the improvement of the living standard, people would spare more time for sporting activities and these events provide a platform for people's participation. In particular, with good marketing campaigns and track records, these events could become sustainable long-term social events for stable recurrent revenue.

### Conservative projection for both sectors revenue growth in FY15.

We cut our forecast on Event revenue from Rmb663m to Rmb504m (-31%) as we turned more conservative in revenue growth projection due to the slowdown in China's economy. The total revenue in FY15/16 now lowered by 10%/17% to Rmb1.1b/1.3b and net profit slightly lower to Rmb373m as we now assume the government grant will continue in FY15. Based on SOTP method with a 30% discount, which is in line with historical range, to the industry average PE of 32x, we reiterate BUY rating and adjust our TP to HK\$6.46 with an unchanged target PE of 22.3x.

Figure 1: Financial Summary

Year to Dec 31 (RMBmn)	2012A	2013A	2014A	2015E	2016E
Revenue	557	694	804	1,099	1,303
Operating Profit	176	308	356	484	578
Reported Profit	132	232	278	373	440
Underlying Profit	132	232	278	373	440
Underlying EPS (CNY)	0.11	0.17	0.17	0.23	0.27
DPS (CNY)	0.04	0.16	0.09	0.20	0.17
BVPS (CNY)	0.25	0.77	0.75	0.84	0.95
P/E (x)	32.64	22.58	21.70	16.20	13.72
Dividend Yield (%)	1.2	4.4	2.5	5.2	4.6
P/B (x)	15.23	4.88	5.03	4.46	3.93

Source: Guosen Securities(HK)

China	Media
	Media Content
27 March 2015	BUY
Target price	▼ HK\$6.46
Last price (26 Mar 15)	HK\$4.68
Upside/downside (%)	38.1
HSI	24497.08
Mkt cap (HK\$m/US\$m)	7,530/971
52 week range (HK\$)	3.50 - 6.50
Avg trading volume daily (US\$m)	3.32
Free float (%)	37.5%
Source: Bloomberg	

### Performance



Performance	1M	3M	12M
Absolute (%)	15.6	(4.9)	(10.7)
Absolute (US\$, %)	15.6	(4.8)	(10.7)
Relative to HSI (%)	17.2	(9.8)	(22.6)
Source: Bloomberg			

### Company background

Wisdom Holdings Group operates a holding company. The Company, through its subsidiaries, provide media investment management, produce TV programs and organize sports competitions.

Source: Bloomberg

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# 智美控股集团 (1661 HK)

## 准备进入全民运动时代

智美 14 年影视节目的收入低于我们的预期，其他数据基本与我们的预测一致，而节目制作收入的减少为主要的原因为。公司赛事运营板块的收入增长强劲，并预计在 15 年将四季跑增加至 10 场，同时加入嘉年华的元素来增加收入的多样性。我们对公司 15 财年的收入分别下调 10% 来反映我们的保守预期。基于目标 FY15 市盈率 22.3 倍我们下调目标价至 6.46 港元，并重申买入评级。

### 影视节目收入下降导致总收入增长低于预期

公司 14 年影视节目收入约为 5.5 亿人民币，同比减少 7%，亦低于我们预测的 6 亿人民币。影视节目板块相对成熟，收入稳定，然而增长较为缓慢。14 年影视版块的毛利率由 46% 下降至 40%，主要由于高毛利率节目制作的占比减少所致。我们分别下调未来两年影视节目的收入增长至 8%。公司在 14 年启动转型扩展毛利较高的赛事运营领域，因此随着低毛利率板块收入占比的减少，公司整体的利润率将会逐渐提升。

### 赛事运营板块增长迅速

公司赛事运营版块 14 年的收入约为 2.53 亿人民币，同比增长 149%，略低于我们预期的 2.59 亿人民币。收入的快速增长主要由于 1) 新体育赛事的开展如国际龙舟世界杯和四季跑，加上更多城市的马拉松赛事。2) 原有赛事活动收入的增加。智美计划在 15 年将四季跑增加至 10 场，并围绕赛事打造嘉年华式的全民娱乐活动，构筑多元化的消费场景来增加收入来源。我们预期赛事运营版块的收入在 15/16 年分别增长 99%/31%，基于更多赛事的举办和每场赛事活动所获得收入的增加。

### 跨省大众体育赛事市场潜力巨大

智美与 13 个省及直辖市体育主管部门签订战略合作协议，并成立‘大众体育赛事联盟’，为将来举办大型跨省运动赛事奠定基础。随着国民生活水平的提高，大众对于健康的追求和体育的爱好使消费结构由观赏向参与转型。传统赛事偏向专业运动员级别而智美意在打造全民都能参与的活动。13 个省所覆盖的 3000 万参与者蕴含着巨大的市场潜力。

### 略微下调目标价至 6.46 港元，维持买入评级

我们基于保守预期将 15 年赛事运营的收入下调 31% 至 5.04 亿人民币，15 年的总收入预期因此下调 10% 至 11 亿人民币，不过我们假设政府的税务返还会在 15/16 年持续，因此净利润在 15 年略微下调至 3.73 亿人民币。我们基于 SOTP 的方法并在同业平均市盈率的基础上给予 30% 的折让，FY15 年的目标市盈率 22.3 倍在我们看来符合公司现在的情况。在此我们重申买入评级，并略微下调目标价至 6.46 港元。

Figure 2: 盈利预测

截至 Dec 31 (人民币百万)	2012A	2013A	2014A	2015E	2016E
营业额	557	694	804	1,099	1,303
经营盈利	176	308	356	484	578
净利润	132	232	278	373	440
实际盈利	132	232	278	373	440
每股实际盈利 (CNY)	0.11	0.17	0.17	0.23	0.27
每股股息 (CNY)	0.04	0.16	0.09	0.20	0.17
每股账面价值 (CNY)	0.25	0.77	0.75	0.84	0.95
市盈率 (x)	32.64	22.58	21.70	16.20	13.72
股息率 (%)	1.2	4.4	2.5	5.2	4.6
市净率 (x)	15.23	4.88	5.03	4.46	3.93

资料来源: 国信证券(香港)

中国

媒体  
媒体内容

2015 年 3 月 27 日

买入

目标价	▼ HK\$6.46
收盘价 (26 Mar 15)	HK\$4.68
Upside/downside (%)	38.1
恒生指数	24497.08
总市值 (HK\$/US\$mn)	7,530/971
52 周最高/最低 (HK\$)	3.50 - 6.50
日均成交额 (US\$mn)	3.32
流通量 (%)	37.5%

资料来源: 彭博

### 股价表现



股票数据	1M	3M	12M
绝对回报 (%)	15.6	(4.9)	(10.7)
绝对回报 (US\$, %)	15.6	(4.8)	(10.7)
相对 HSI 回报 (%)	17.2	(9.8)	(22.6)

资料来源: 彭博

### 公司简介

智美控股集团始创于 2001 年 (简称智美集团)，是集体育互动娱乐和影视娱乐业务于一体的文化产业集团，2013 年在香港主板上市。集团以“为中国消费者提供优质互动娱乐产品”为使命和愿景

资料来源: 彭博

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**Figure 3 Change of Assumptions and Result Comparisons**

<b>FY14</b>	<b>Estimate</b>	<b>Actual</b>	<b>Dif(%)</b>
Total Revenue (Rmb'mn)	864	804	-7%
Events (Rmb'mn)	259	253	-2%
P&A (Rmb'mn)	605	551	-9%
Gross Profit (Rmb'mn)	410	374	-9%
Profit from operation (Rmb'mn)	354	356	1%
Net profit	271	278	3%
Gross Profit Margin	47%	47%	-1%
Net Profit Margin	31%	35%	3%
Selling Expenses/Total Revenue	3.6%	3.8%	0.2%
Admin. Expenses/Total Revenue	5.3%	5.6%	0.3%
Effective Tax Rate	24.9%	25.0%	0.1%
<b>Change of Assumptions and Estimates</b>	<b>2014</b>	<b>2015e</b>	<b>2016e</b>
Total Revenue(Old, Rmb'mn)	864	1227	1569
Total Revenue(New, Rmb'mn)	804	1099	1303
Change(%)	-7%	-10%	-17%
Gross Margin(Old, %)	47%	49%	50%
Gross Margin(New, %)	47%	49%	50%
Change(%)	-0.94%	0.35%	-0.01%
Net Profit(Old, Rmb'mn)	271	374	486
Net Profit(New, Rmb'mn)	278	373	440
Change(%)	3%	0%	-9%
Basic EPS(Old, HK\$)	0.21	0.28	0.38
Basic EPS(New, HK\$)	0.21	0.28	0.34
Change(%)	0%	0%	-11%

Source: Guosen Securities(HK) Research

**Figure 4 Peer Comparison**

<b>Company Name</b>	<b>Ticker</b>	<b>PER FY15</b>	<b>PER FY16</b>
<b>Media</b>			
SINOMEDIA HLDG	623 hk	5.4	5.2
BEIJING ENLIGH-A	300251 ch	79.2	60.5
HUAYI BROTHERS-A	300027 ch	50.2	40.4
BLUEFOCUS COMM-A	300058 ch	35.9	28.3
GUANGDONG ADVE-A	002400 ch	51.1	35.8
WPP PLC	wpp ln	16.8	15.3
Average		39.73	30.89
<b>Sports</b>			
SPEEDWAY MOTORSP	trk us	22.9	20.4
INTL SPEEDWAY-A	isca us	23.7	21.6
DOVER MOTORSPORT	dvd us	10.1	9.3
MADISON SQUARE-A	msg us	34.1	31.8
NEULION INC	nln cn	N/A	28.2
Average		22.69	22.26

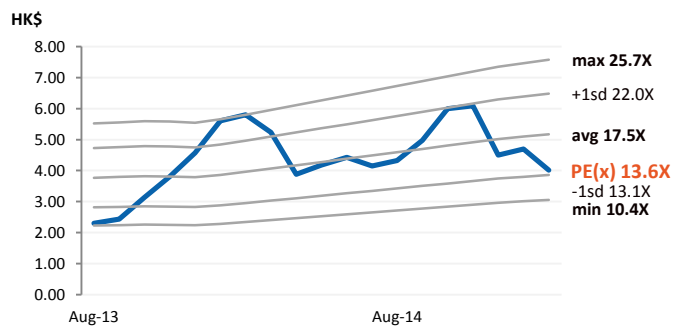
Source: Guosen Securities(HK) Research

**Figure 5 SOTP Valuation**

	<b>% of total GP in FY14</b>	<b>Target weight in FY15</b>	<b>Target PE based on peers 14PE</b>	<b>SOTP PE</b>
<b>SEO</b>	31%	46%	22.69	10.40
<b>P&amp;A</b>	69%	54%	39.73	21.52
			Weighted Avg PE	31.92
			Discount	30%
			Target PE for wisdom	22.34
			15EPS, in Rmb	0.23
			Currency Converter	1.25
			TP(HK\$)	6.46

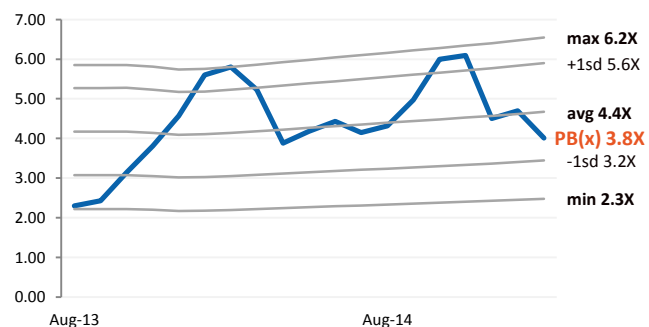
Source: Guosen Securities(HK) Research

Figure 6 12 months forward PE band chart



Source: Bloomberg, Guosen Securities(HK) Research

Figure 7 12 months forward PB band chart



Source: Bloomberg, Guosen Securities(HK) Research

## Summary financial statements

Profit & Loss (RMBmn)	2012A	2013A	2014A	2015E	2016E
Revenue	557	694	804	1,099	1,303
Cost of sales	(340)	(351)	(430)	(557)	(648)
Gross profit	217	343	374	542	655
Other income/(expense)	0	27	58	46	46
Operating expenses	(41)	(62)	(76)	(104)	(124)
Operating profit	176	308	356	484	578
Other non operating inc/(exp)	0	0	0	0	0
Finance income	2	9	15	13	9
Finance expenses	0	(5)	(1)	0	0
Associates & JCE	0	0	0	0	0
Profit before taxation	178	311	371	497	587
Taxation	(46)	(80)	(93)	(124)	(147)
Non-controlling interests	0	0	0	0	0
Net profit	132	232	278	373	440
Other Adjustments on UP	0	0	0	0	0
Underlying Profit	132	232	278	373	440

Source: Guosen Research estimates

Financial Ratios	2012A	2013A	2014A	2015E	2016E
Revenue growth (%)	18.2	24.6	15.8	36.7	18.5
Operating profit growth (%)	54.1	74.8	15.7	35.9	19.3
Reported profit growth (%)	54.5	75.3	20.1	34.1	18.1
Underlying profit growth (%)	54.5	75.3	20.1	34.1	18.1
Underlying EPS growth (%)	54.5	44.5	4.1	34.0	18.1
Dividend growth (%)	25.0	359	(34.8)	110	(11.8)
Gross profit margin (%)	38.9	49.4	46.5	49.3	50.3
Operating profit margin (%)	31.6	44.4	44.3	44.0	44.3
Underlying profit margin (%)	23.7	33.3	34.6	33.9	33.8
Net debt/equity (%)	(35.2)	(76.6)	(62.9)	(68.4)	(66.2)
Net debt/total assets (%)	(26.8)	(68.0)	(56.7)	(59.9)	(57.6)
Current ratio (%)	378	865	990	787	754
Dividend payout (%)	37.9	99.2	53.8	84.5	63.1
Interest cover (x)	5,872.0	57.7	522.4	8,804.1	10,504.4
Dividend cover (x)	2.6	1.0	1.9	1.2	1.6

Dupont Analysis	2012A	2013A	2014A	2015E	2016E
Tax burden (%)	74.3	74.4	75.0	75.0	75.0
Interest burden (%)	101	101	104	103	102
Operating profit margin (%)	31.6	44.4	44.3	44.0	44.3
Asset turnover (x)	1.6	0.9	0.6	0.8	0.8
Leverage ratio (x)	1.4	1.2	1.1	1.1	1.1
ROA (%)	39.0	29.4	21.9	25.9	26.6
ROE (%)	54.9	34.2	24.5	29.2	30.5

Source: Guosen Research estimates

Balance Sheet (RMBmn)	2012A	2013A	2014A	2015E	2016E
Fixed assets	36	36	34	31	27
Associates & JCE	0	0	0	0	0
Others	3	3	3	3	1
Non-current assets	39	39	37	34	28
Inventories	0	0	0	0	0
Debtors & prepayments	227	344	537	582	718
Bank deposits & cash	99	820	598	925	1,018
Others	5	3	157	4	5
Current assets	331	1,166	1,293	1,511	1,740
Bank & other borrowings	0	0	0	0	0
Trade & payables	31	26	15	37	45
Taxation	28	82	86	124	147
Others	29	27	30	31	40
Current liabilities	88	135	131	192	231
Bank & other borrowings	0	0	0	0	0
Others	0	0	0	0	0
Non-current liabilities	0	0	0	0	0
Net assets	283	1,070	1,199	1,353	1,537
Share capital	3	639	490	490	490
Premium & reserves	280	431	709	863	1,047
Shareholders' funds	283	1,070	1,199	1,353	1,537
Non-controlling interests	0	0	0	0	0
Total equity	283	1,070	1,199	1,353	1,537

Source: Guosen Research estimates

Cashflow (RMBmn)	2012A	2013A	2014A	2015E	2016E
Operating profit	178	317	371	497	587
Depreciation & amortization	4	5	7	7	7
Interest income	(2)	(9)	(15)	(13)	(9)
Change in working capital	(135)	(105)	(197)	15	(98)
Tax paid	(31)	(36)	(93)	(124)	(147)
Other operating cashflow	0	(5)	(7)	(1)	0
Operating activities	15	167	66	381	341
Purchase of non-current assets (Capex)	(5)	(5)	(4)	(4)	(3)
Free cash flow	9	162	61	377	338
Disposal of non-current assets	0	0	0	0	0
Associates & JCE (net)	0	0	0	0	0
Interest received	2	7	7	13	9
Dividends received	0	0	0	0	0
Other investing cashflow	0	0	(8,961)	0	0
Investing activities	(4)	3	(8,959)	9	6
New loans raised	0	0	0	0	0
Repayment of loans	0	0	0	0	0
Dividends paid	(49)	(85)	0	0	0
Other financing cashflow	1	636	(153)	(153)	(153)
Financing activities	(48)	551	(153)	(153)	(153)
Inc/(dec) in cash	(37)	720	(9,046)	237	193
Cash at beginning of year	136	99	820	598	835
Foreign exchange effect	0	0	1	0	0
Cash at end of year	99	820	(8,226)	835	1,029

Source: Guosen Research estimates

## Information Disclosures

### Stock ratings, sector ratings and related definitions

#### Stock Ratings:

**Buy:** A return potential of 10 % or more relative to overall market within 6 – 12 months.

**Neutral:** A return potential ranging from -10% to 10% relative to overall market within 6 – 12 months.

**Sell:** A negative return of 10% or more relative to overall market within 6 –12 months.

#### Sector Ratings:

**Overweight:** The sector will outperform the overall market by 10% or higher within 6 –12 months.

**Neutral:** The sector performance will range from -10% to 10% relative to overall market within 6 –12 months.

**Underweight:** The sector will underperform the overall market by 10% or lower within 6 – 12 months.

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### 公司评级、行业评级及相关定义

#### 公司评级

**买入：**我们预计未来 6-12 个月内，个股相对大盘涨幅在 10%以上；

**中性：**我们预计未来 6-12 个月内，个股相对大盘涨幅介于-10%与 10%之间；

**减持：**我们预计未来 6-12 个月内，个股相对大盘跌幅大于 10%。

#### 行业评级

**超配：**我们预计未来 6-12 个月内，行业整体回报高于市场整体水平 10%以上；

**中性：**我们预计未来 6-12 个月内，行业整体回报介于市场整体水平-10%与 10%之间；

**低配：**我们预计未来 6-12 个月内，行业整体回报低于市场整体水平 10%以上。

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