

March 30, 2015

BUY
Unchanged

研发收获年，上调目标价，维持买入

上海复旦微电子 (1385 HK)

Market Data: Mar, 27

Closing Price (HK\$)	5.90
Price Target (HK\$)	8.00
HSCEI	11,920
HSCCI	4,515
52-week High/Low (HK\$)	9.48/4.95
Market Cap (USD Mn)	436
Market Cap (HK\$ Mn)	3,383
Shares Outstanding (Mn)	617
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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"Shanghai Fudan (1385:HK) Banking on the future" Feb 13, 2015

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (RMB million)	816.93	843.91	1,011.72	1,382.81	1,699.45
YOY (%)	16.03	3.30	19.88	36.68	22.90
Net income (RMB million)	159.40	167.96	184.69	263.64	311.15
YOY (%)	14.41	7.74	9.84	42.75	18.02
EPS (RMB)	0.26	0.27	0.30	0.43	0.50
Diluted EPS (RMB)	0.26	0.27	0.30	0.43	0.50
ROE (%)	21.69	18.93	18.69	21.37	20.33
Debt/asset (%)	27.63	26.76	26.99	28.77	28.51
Dividend Yield (%)	1.95	1.95	-	-	-
P/E (x)	16.69	16.07	14.46	10.09	8.68
P/B (x)	3.54	3.17	2.75	2.33	1.57
EV/EBITDA (x)	12.70	12.53	10.88	7.75	6.55

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:

● **业绩超预期。**复旦微电子公布了 2014 年全年收入人民币 8.44 亿元（同比增长 3.3%，申万宏源预期 8.06 亿元），2014 年全年净利润为 1.68 亿元（同比增长 5.4%，申万宏源预期 1.42 亿元）。收入超预期主要是智能电表芯片中标率增加和 IC 测试业务迅猛发展，净利润超预期主要是其他费用（14 年 1.92 亿，13 年 2.13 亿）有所控制，其他费用主要部分是研发费用。董事会不建议派发 14 年末期股利（13 年每股 8 分钱，合计 4939 万人民币），我们认为主要是公司财务风格比较谨慎，且预期未来几年 R&D 会有投入更多的资源。截止到 14 年年底，公司银行存款和现金为 3.46 亿（13 年年底为 3.40 亿），

● **研发费用资本化的启示。**我们认为其他费用（主要是研发费用）有所控制主要是更多的研发支出资本化到了无形资产，无形资产从 13 年底的 5700 万人民币上升到了 14 年底的 1.32 亿。根据香港会计准则 38 号对于无形资产的解释，研究阶段的费用应该当期费用化，这也是复旦微过去对超过 95% 研发费用的处理办法。然而，一旦复旦微或者审计事务所（安永）能证明完成这项研发项目的技术上的可行性较高，费用就应在自产品开始投入商业生产后不超过一定阶段内（复旦微为 3 年）摊销。简言之，相对于研究阶段，开发阶段的费用投入更容易带来未来经济利益的流入，故可以摊销。举例来说，14 年下半年金融 IC 卡芯片的相关研发费用就应该计入无形资产进行摊销，因为 14 年下半年复旦微已经发出了近 40 万颗金融 IC 卡芯片而没有出现问题。除了研发费用摊销带来直接计入当期费用的减少而对净利润有提升外，更重要的是我们预期会有更多的 R&D 项目投入将进入开发阶段（或已进入开发阶段），例如 FPGA。未来公司在享受研发项目成功的丰厚果实时，同时承担可控的摊销的研发费用，可以比较好的平衡收入增长和研发费用增长的关系。我们估计 15 年-17 年计入到损益表的其他费用科目分别为人民币 2.08 亿、2.38 亿和 2.83 亿。

● **金融 IC 卡芯片单价有压力，但国产化进程或加速。**根据我们的渠道调研，金融 IC 卡芯片可能面临了快速下滑的趋势，但是监管机构或希望加快国产化进程来改变 NXP 的在国内金融 IC 卡芯片中的垄断地位。我们将国产金融 IC 卡芯片 15 年单价从人民币 4.5 元下调至 4.3 元，16 年单价从 4.3 元下调至 4.0 元，17 年单价从 4.1 元下调至 3.7 元。保守起见，我们维持复旦微金融 IC 卡芯片发货量不变，即 15 年 2500 万颗，16 年 9300 万颗，17 年 1.45 亿颗。

● **维持买入。**考虑到更多部分的研发费用可以无形资产摊销和金融 IC 卡单价下滑的压力，我们上调 15 年 EPS 从人民币 0.28 元到人民币 0.3 元（同比增加 10%），上调 16 年 EPS 从 0.39 元到人民币 0.43 元（同比增加 43%），同时预计 17 年 EPS 为 0.50 元（同比增加 18%）。我们将目标价从 7.3 港币上调至 8 港币，对应 21 倍 15 年 PE，15 倍 16 年 PE 和 13 倍 17 年 PE。其中根据 2010 年至今历史估值，21 倍是动态市盈率是历史平均动态市盈率加一个标准差的估值水平（见附图 1）。自从 15 年 2 月 13 日我们发表《15 年多重催化剂，看好触底反弹》的深度报告，股价已经上升了 14%。8 元港币的目标价仍然对应 36% 的上升空间，我们重申买入评级。

Results beat. Shanghai Fudan Microelectronics reported 2014 revenue of Rmb844m (+3.3% YoY vs SWS estimate of 806m), with net profit arriving at Rmb168m (+5.4% YoY vs SWS estimate 142m). The results beat our expectation mainly due to a contraction in other expenses (FY14: Rmb192m vs FY13: Rmb213m), which mainly consists of R&D expenses. The board did not propose a final dividend for 2014 (FY13: Rmb0.08 per share) as the firm will focus more on research and development projects in the coming years.

Implications of R&D amortisation. The contraction in FY14 R&D expenses stem from R&D expenditures being capitalised as intangible assets, which rose from Rmb57m by end-2013 to Rmb132m by end-2014. According to Hong Kong Accounting Standards, expenditures on the research phase of an internal project shall be recognised as an expense when it is incurred, which applies to most (c.95%) of Fudan's R&D expenditures in previous years. However, once the company or the auditing firms prove the technical feasibility of the completed intangible assets, expenses should be amortised from the date when the product is put into commercial production. For example, the R&D expenses associated with bank IC card chipsets in 2H14 should be amortised as c.400k bank integrated circuit (IC) chipsets were shipped in 2H14. We expect other R&D programs, such as field programmable gate array (FPGA) will soon enter or have already entered the development phase, indicating the company could monetise previous R&D inputs while bearing an acceptable level of amortisation in the coming years. Therefore, we update our forecast for other expenses to Rmb208m in 15E, Rmb238m in 16E, and Rmb283m in 17E.

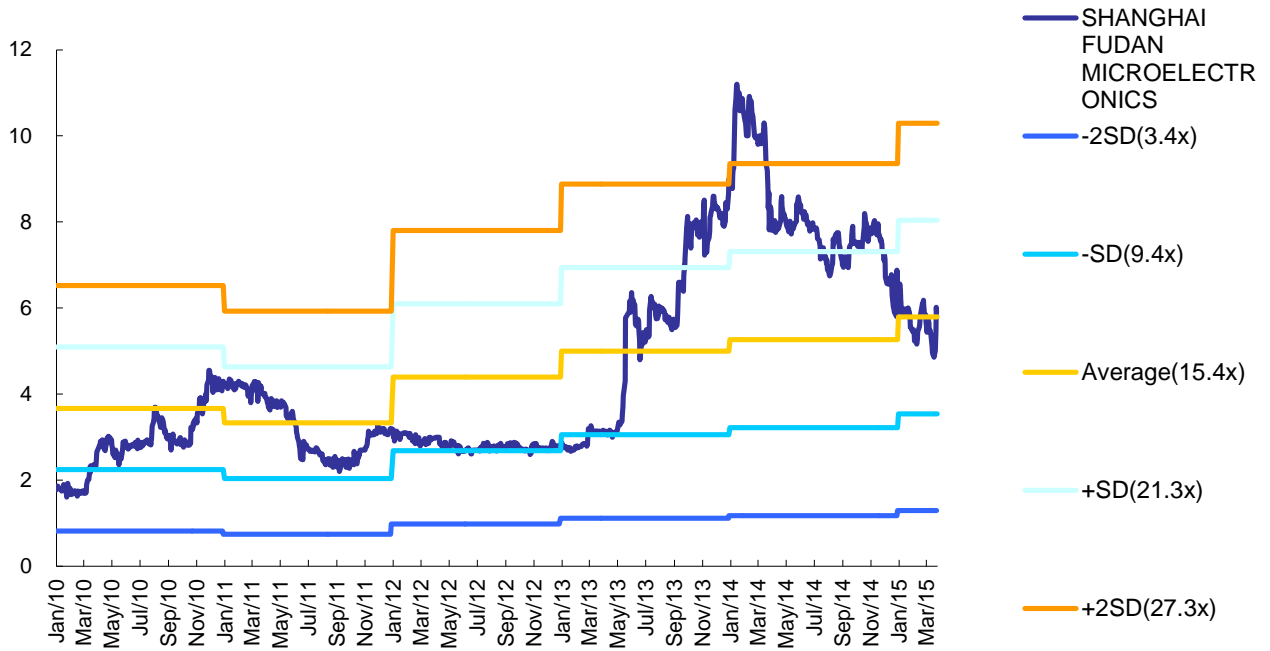
ASP pressure, localisation could accelerate. According to our channel checks, bank IC chipsets may see a rapid decline of average selling price (ASP), but the regulator may wish to expedite the domestication process to break NXP's (NXPI:US) monopoly position. We revise down bank chipset ASP from Rmb4.5 to Rmb4.3 in 15E, from Rmb4.3 to Rmb4.0 in 16E and from Rmb4.1 to Rmb3.7 in 17E. To be conservative, we maintain our unit shipment forecasts at 25m in 15E, 93m in 16E and 145m in 17E.

Reiterate BUY. Given the amortisation of R&D expenses, we revise up our EPS forecasts from Rmb0.28 to Rmb0.30 (+10% YoY) in 15E, from Rmb0.39 to Rmb0.43 (+43% YoY) in 16E and forecast EPS of Rmb0.50 (+18% YoY) in 17E. We revise up our target price from HK\$7.3 to HK\$8.0, representing 21x 15E, 15x 16E PE and 13x 17E. With 36% upside, we reiterate BUY.

Appendix

Figure 1: Historical valuation of Shanghai Fudan

Stock price in HKD



Source: Bloomberg, SWS Research

Table 1: Consolidated Income Statement

million RMB	2013	2014	2015E	2016E	2017E
Revenue	816.93	843.91	1011.72	1382.81	1699.45
CostofSales	419.47	443.13	567.73	796.12	1001.11
GrossProfit	397.46	400.78	443.99	586.69	698.35
OtherIncome	104.34	102.72	106.99	126.82	151.66
SGAExpenses	119.21	127.46	133.55	174.23	207.33
EBITDA	202.34	209.19	237.66	334.31	398.31
EBIT	169.03	183.64	209.04	301.64	359.92
FinanceCosts	0.00	0.00	0.00	0.00	0.00
ProfitBeforeTax	169.03	183.64	209.04	301.64	359.92
IncomeTaxExpense	4.75	6.65	14.63	24.13	32.39
MinorityInterests	4.88	4.88	9.03	9.72	13.88
ProfitfortheYear	159.40	167.96	184.69	263.64	311.15

Table 2: Consolidated Cash Flow Statement

million RMB	2013	2014	2015E	2016E	2017E
ProfitBeforeTaxation	169.03	183.64	209.04	301.64	359.92
DeprAndAmortisation	33.31	25.55	28.62	32.67	38.39
FinanceCost	0.00	0.00	0.00	0.00	0.00
LossesFromInvestments	0.00	0.00	0.00	0.00	0.00
ChangeInWorkingCapital	(10.29)	(48.81)	66.14	(15.36)	(70.08)
Others	(11.87)	5.26	5.81	6.54	7.67
CFFFromOperatingActivities	180.19	159.29	302.61	318.49	328.91
CAPEX	(120.80)	(184.24)	(74.52)	(91.75)	(100.20)
OtherCFFFromInvestingActivities	(9.38)	(18.65)	(19.85)	(20.85)	(21.56)
CFFFromInvestingActivities	(130.17)	(202.89)	(94.37)	(112.60)	(121.77)
EquityFinancing	0.00	0.00	0.00	0.00	0.00
NetChangeInLiabilities	0.00	0.00	0.00	0.00	0.00
DividendAndInterstPaid	(51.89)	(52.39)	(3.00)	(3.00)	(3.00)
OtherCFFFromFinancingActivities	0.00	0.00	0.00	0.00	1.00
CFFFromFinancingActivities	(51.89)	(52.39)	(3.00)	(3.00)	(3.00)
NetCashFlow	(24.38)	(102.63)	190.61	178.76	171.75
FCFF	66.50	(30.51)	214.65	203.07	195.64
FCFE	66.50	(30.51)	214.65	203.07	195.64

Table 3: Consolidated Balance Sheet

million RMB	2013	2014	2015E	2016E	2017E
CurrentAssets	760.94	815.33	952.55	1296.97	1671.86
BankBalancesAndCash	340.38	346.19	480.21	686.82	887.13
TradeAndOtherReceivables	198.36	240.74	227.64	311.13	382.38
Inventories	199.79	210.03	210.98	252.93	345.70
OtherCurrentAssets	22.41	18.36	33.72	46.09	56.65
LongTermInvestment	0.50	0.00	0.50	0.50	0.50
PPE	206.68	295.64	312.07	341.45	371.88

IntangibleAndOtherAssets	78.32	165.50	159.74	184.47	209.62
TotalAssets	1046.44	1276.46	1424.86	1823.40	2253.86
CurrentLiabilities	275.42	332.71	366.88	504.82	620.94
Borrowings	0.00	0.00	0.00	0.00	1.00
TradeAndOtherPayables	89.08	74.39	101.17	138.28	169.95
OtherCurrentLiabilities	186.34	258.32	265.71	366.54	450.99
LongTermLiabilities	13.68	8.83	17.68	19.68	21.68
TotalLiabilities	289.10	341.53	384.57	524.51	642.62
MinorityInterests	41.49	92.66	56.73	62.61	78.98
ShareholderEquity	757.34	934.93	1040.29	1298.89	1611.23
ShareCapital	61.73	61.73	61.73	61.73	61.73
Reserves	604.74	780.53	921.82	1174.55	1470.52
EquityAttributable	715.86	842.26	983.56	1236.28	1532.25
TotalLiabilitiesAndEquity	1046.44	1276.46	1424.86	1823.40	2253.86

Table 4: Key Financial Ratios

million RMB	2013	2014	2015E	2016E	2017E
Ratios per share (RMB)					
Earnings per share	0.2582	0.2721	0.2992	0.4271	0.5040
OperatingCFPerShare	0.2554	0.2473	0.4665	0.4768	0.4803
DividendPerShare	0.0800	0.0800			
Key Operating Ratios(%)					
NetAssetsPerShare	1.2268	1.5145	1.6851	2.1040	2.6100
ROIC	44.2920	33.5793	37.4678	46.8600	48.5450
ROE	21.6913	18.9308	18.6877	21.3653	20.3279
GrossProfitMargin	48.6527	47.4909	43.8843	42.4274	41.0924
EBITDAMargin	24.7688	24.7885	23.4907	24.1762	23.4377
EBITMargin	20.6909	21.7608	20.6616	21.8138	21.1788
GrowthRateOfRevenue	16.0308	3.3028	19.8847	36.6783	22.8990
GrowthRateOfProfit	14.4086	7.7381	9.8406	42.7486	18.0242
DebtToAssetRatio	27.6271	26.7562	26.9900	28.7653	28.5121
TurnoverRateOfNetAssets	1.0787	0.9027	0.9725	1.0646	1.0548
TurnoverRateOfTotalAssets	0.7807	0.6611	0.7101	0.7584	0.7540
EffectiveTaxRate	2.8119	3.6228	7.0000	8.0000	9.0000
DividendYield	1.9535	1.9535			
Valuation Ratios (X)					
PE	15.8604	15.0516	13.6887	9.5894	8.1249
PB	3.3381	2.7041	2.4302	1.9464	1.5691
EVSale	3.1454	3.1055	2.5549	1.8735	1.5341
EVEBITDA	12.6992	12.5280	10.8762	7.7495	6.5453

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