

## Jiangsu Expressway - H

FY14 result missed by 6%; resilient Op-CF and raise in payout a positive surprise

- **Profit from toll road operation broadly in line, while property profit disappointed.** Net profit came in at Rmb2.6B for 2014, down 5% Y/Y and 6% shy of JPMe and consensus estimate. Margin contraction was notable (down 2.5ppt Y/Y) for both toll road operation and property development. In comparison, ZJE's FY14 result fared stronger (delivering an earnings beat of 16%). Keep Neutral on JSE; we continue to favour ZJE over JSE. Key highlights of the result:

- 1) **Toll road operation held steady despite impact from competing road.** Toll revenue came in at Rmb5.4B, flattish Y/Y, largely in line with our expectations. For the core toll road, SH-NJ Exy, the 4% traffic growth was diluted by lower pricing (fewer trucks in the mix), resulting in flat toll income (down 1% Y/Y). Truck traffic flow slowed at the west section of SH-NJ Exy, impacted by diversion from Lima Exy (opened at end-2013) and the rationing restrictions imposed on the Nanjing ring road. This led to a 10% drop in truck traffic volume at the west section (given the West section formed c40% of total traffic flow for SH-NJ Exy, this led to a 4% drop in truck traffic for the entire road). Worth noting the worsening sequential trend, as the truck flow on the West section dropped by 16% Y/Y in 2H14 (vs the 4% fall in 1H14).
  - 2) **Property sales missed expectations and guidance.** The segment's revenue arrived at Rmb254MM, up 237% Y/Y against a low base. This, however, fell short of the company's guidance of Rmb500MM+ for the full year (JPMe: Rmb450MM), as the domestic housing market continued the slow grind. GP margin fell notably to 22% vs 2013's 61% (JPMe: 30%). That said, the property segment was insignificant, forming only 3% of revenue and 1% of JSE's gross profit in 2014.
  - 3) **Op-CF remained robust; increase in payout a positive surprise:** Op-CF amounted to Rmb3.1B, flattish Y/Y, equating to 1.2x of NPAT in 2014. JSE declared a final DPS of Rmb0.38/share (flat Y/Y), translating into a 74% payout ratio vs 71% oya (JPMe: 70%). Dividend yield works out at 5% based on the current share price.
- **4Q14 NPAT declined by 8% (vs 9M14's 4% decline) as toll income growth continued trending down:** In particular, toll income from the SH-NJ Exy fell 4% vs 9M14's 1% rise.

### Jiangsu Expressway - H (Reuters: 0177.HK, Bloomberg: 177 HK)

Rmb in mn, year-end Dec	FY11A	FY12A	FY13A	FY14E	FY15E
Total Revenue (Rmb mn)	7,401	7,796	7,614	8,159	8,450
Net Profit (Rmb mn)	2,430	2,333	2,708	2,746	2,909
EPS (Rmb)	0.48	0.46	0.54	0.55	0.58
DPS (Rmb)	0.36	0.36	0.38	0.38	0.40
Revenue growth (%)	9.5%	5.3%	(2.3%)	7.1%	3.6%
EPS growth (%)	(2.2%)	(4.0%)	16.0%	1.4%	5.9%
ROE	13.6%	12.7%	14.1%	13.7%	13.9%
P/E (x)	16.4	17.1	14.8	14.5	13.7
P/BV (x)	2.2	2.1	2.0	2.0	1.9
EV/EBITDA (x)	9.5	9.4	8.7	8.4	7.8
Dividend Yield	4.5%	4.5%	4.8%	4.8%	5.1%

Source: Company data, Bloomberg, J.P. Morgan estimates.

## Neutral

0177.HK, 177 HK

Price: HK\$9.90

Price Target: HK\$9.00

### China

#### Infrastructure & Industrial

Karen Li, CFA <sup>AC</sup>

(852) 2800-8589

karen.yy.li@jpmorgan.com

Bloomberg JPMA KLI <GO>

Nick Zheng

(852) 2800 8577

nick.zheng@jpmorgan.com

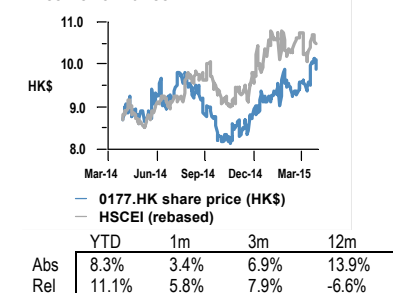
Calvin C Wong

(852) 2800 8502

calvin.wong@jpmorgan.com

J.P. Morgan Securities (Asia Pacific) Limited

### Price Performance



### Company Data

Shares O/S (mn)	5,038
Market Cap (HK\$ mn)	49,874
Market Cap (\$ mn)	6,431
Price (HK\$)	9.90
Date Of Price	27 Mar 15
Free Float(%)	-
3M - Avg daily vol (mn)	3.35
3M - Avg daily val (HK\$ mn)	31.89
3M - Avg daily val (\$ mn)	4.1
HSCEI	1,1919.69
Exchange Rate	7.75
Price Target End Date	31-Dec-15
Price Target (HK\$)	9.00

See page 9 for analyst certification and important disclosures, including non-US analyst disclosures.

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**Key catalyst for the stock price:**

- Stronger-than-expected toll income growth
- Value accretive investments

**Upside risks to our view:**

- Stronger-than-expected toll revenue recovery
- Milder-than-expected diversion from competing roads, including Nanjing-Changzhou Exy

**Downside risks to our view:**

- Lower-than-expected margin for property segment
- Payout on DPS basis not maintained in case that one-off provision on G312 clean-up hits earnings

Key financial metrics	FY13A	FY14E	FY15E	FY16E
Revenues (LC)	7,614	8,159	8,450	8,753
Revenue growth (%)	-2%	7%	4%	4%
EBITDA (LC)	4,619	4,594	4,742	4,896
EBITDA margin (%)	61%	56%	56%	56%
Tax rate (%)	23%	23%	23%	23%
Net profit (LC)	2,708	2,746	2,909	3,064
EPS (LC)	0.54	0.55	0.58	0.61
EPS growth (%)	16%	1%	6%	5%
DPS (LC)	0.38	0.38	0.40	0.43
BVPS (LC)	3.89	4.06	4.25	4.45
Operating cash flow (LC mn)	3,084	3,884	4,186	4,078
Free cash flow (LC mn)	3,144	3,914	4,164	4,015
Interest cover (x)	16.4	19.5	28.3	43.0
Net margin (%)	35.6%	33.7%	34.4%	35.0%
Sales/assets (X)	0.29	0.31	0.31	0.32
Debt/equity (%)	17%	11%	8%	7%
Net debt/equity (%)	15%	7%	-2%	-7%
ROE (%)	14.1%	13.7%	13.9%	14.0%
Key model assumptions	FY13A	FY14E	FY15E	FY16E
Revenue growth (%)	-2.3%	7.1%	3.6%	3.6%
Gross profit margin (%)	51.5%	49.6%	49.6%	49.5%

Source: Company and J.P. Morgan estimates.

Sensitivity analysis	EBITDA		EPS	
	FY15E	FY16E	FY15E	FY16E
1% chg in Revenue	1%	1%	1%	1%
1% chg in GPM	2%	2%	2%	2%

Source: J.P. Morgan estimates.

**Comparative metrics**

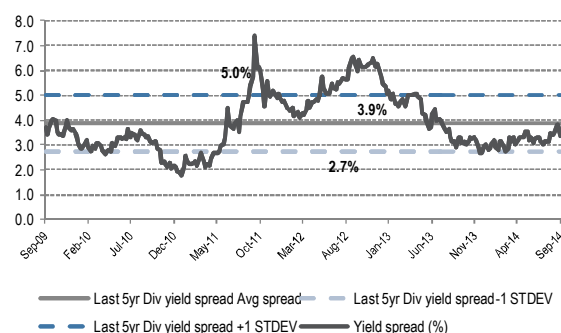
	CMP	Mkt Cap	P/E		EV/EBITDA		P/BV		YTD Stock perf.
			FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	
Jiangsu Expressway	9.9	6,293	14.6	13.7	9.6	9.3	2.0	1.9	6.9
Zhejiang Expressway	9.9	5,545	15.9	15.3	7.4	7.1	2.0	1.9	9.9
Shenzhen Expressway	5.53	2,641	9.6	9.1	9.0	8.6	0.8	0.7	7.0
Anhui Expressway	5.1	1,618	8.3	9.1	6.6	6.4	0.9	0.8	-1.9
Hopewell Highway Infra	3.69	1,466	17.2	15.1	5.3	5.0	1.3	1.3	-5.1
Yuexiu Transport	4.85	1,046	10.0	9.0	7.6	6.6	0.7	0.7	2.5

Source: Bloomberg, J.P. Morgan estimates. Prices are as of 3/27/2015.

**Valuation and price target basis**

We use a DCF valuation to derive our Dec-15 PT of HK\$9 for Jiangsu Expressway. We assume a WACC of 9.3%, based on a cost of equity of 11%, cost of debt of 4% and target gearing of 20%. Our valuation period ends with the respective concession period for each toll road.

**JSE – Historical dividend yield spread (vs. GHKGB10Y Index)**



Source: Bloomberg, Company and J.P. Morgan estimates.

**JPM vs. consensus, change in estimates**

EPS	FY14E	FY15E
JPM old	0.58	0.61
JPM new	0.58	0.61
% chg	0%	0%
Consensus	0.58	0.63

Source: Bloomberg, J.P. Morgan estimates.

## FY14 result review

Table 1: Jiangsu Exy – FY14 result review

Rmb MMs (PRC GAAP)	FY14	FY13	Y/Y chg%	JPMc FY14	% Diff	2H14	2H13	Y/Y chg%	4Q14	4Q13	Y/Y chg%
Revenue	7,879	7,614	3.5%	8,159	-3.4%	3,952	3,946	0.2%	1,903	1,972	-3.5%
Cost of sales	(4,020)	(3,694)		(4,108)		(2,062)	(1,974)		(1,059)	(1,067)	
<b>Gross profit</b>	<b>3,859</b>	<b>3,920</b>	<b>-1.6%</b>	<b>4,050</b>	<b>-4.7%</b>	<b>1,890</b>	<b>1,972</b>	<b>-4.1%</b>	<b>844</b>	<b>905</b>	<b>-6.7%</b>
GPM%	49.0%	51.5%	-2.5	49.6%	-0.7	47.8%	50.0%	-2.1	44.3%	45.9%	-1.5
<b>Operating expenses</b>	<b>(434)</b>	<b>(388)</b>		<b>(441)</b>		<b>(232)</b>	<b>(210)</b>		<b>(133)</b>	<b>(113)</b>	
Business taxes	(241)	(202)		(242)		(129)	(107)		(73)	(56)	
Selling expenses	(14)	(10)		(11)		(6)	(6)		(3)	(4)	
Admin expenses	(180)	(176)		(189)		(97)	(98)		(57)	(55)	
Impairment loss of assets	0	1		1		0	1		0	1	
<b>Other gains/losses (net)</b>	<b>32</b>	<b>122</b>		<b>6</b>		<b>13</b>	<b>(10)</b>		<b>15</b>	<b>(7)</b>	
Other investment income	41	50		0		18	2		17	2	
Non-operating income	24	105		41		18	10		14	2	
Non-operating expenses	(33)	(32)		(35)		(23)	(22)		(16)	(10)	
<b>EBIT</b>	<b>3,457</b>	<b>3,655</b>	<b>-5.4%</b>	<b>3,616</b>	<b>-4.4%</b>	<b>1,671</b>	<b>1,752</b>	<b>-4.6%</b>	<b>726</b>	<b>784</b>	<b>-7.4%</b>
EBIT margin%	43.9%	48.0%	-4.1	44.3%	-0.4	42.3%	44.4%	-2.1	38.1%	39.8%	-1.6
<b>Net finance expenses</b>	<b>(312)</b>	<b>(293)</b>		<b>(236)</b>		<b>(159)</b>	<b>(174)</b>		<b>(78)</b>	<b>(91)</b>	
<b>Share of profit of associates &amp; JCEs</b>	<b>311</b>	<b>265</b>		<b>299</b>		<b>142</b>	<b>131</b>		<b>46</b>	<b>49</b>	
<b>Earnings before taxes</b>	<b>3,455</b>	<b>3,627</b>	<b>-4.8%</b>	<b>3,679</b>	<b>-6.1%</b>	<b>1,653</b>	<b>1,708</b>	<b>-3.2%</b>	<b>694</b>	<b>742</b>	<b>-6.5%</b>
Income tax expenses	(808)	(852)		(864)		(393)	(408)		(177)	(179)	
<b>Net profit</b>	<b>2,647</b>	<b>2,776</b>	<b>-4.6%</b>	<b>2,815</b>	<b>-6.0%</b>	<b>1,261</b>	<b>1,301</b>	<b>-3.1%</b>	<b>516</b>	<b>563</b>	<b>-8.3%</b>
Minority interest	(73)	(68)		(69)		(30)	(29)		(10)	(11)	
<b>Net profit attributable to shareholders</b>	<b>2,575</b>	<b>2,708</b>	<b>-4.9%</b>	<b>2,746</b>	<b>-6.3%</b>	<b>1,231</b>	<b>1,272</b>	<b>-3.2%</b>	<b>507</b>	<b>552</b>	<b>-8.3%</b>
Net margin	32.7%	35.6%	-2.9	33.7%	-1.0	31.1%	32.2%	-1.1	26.6%	28.0%	-1.4
<b>EPS (Rmb/share)</b>	<b>0.51</b>	<b>0.54</b>		<b>0.55</b>		<b>0.24</b>	<b>0.25</b>		<b>0.10</b>	<b>0.11</b>	
<b>DPS (Rmb/share)</b>	<b>0.38</b>	<b>0.38</b>		<b>0.38</b>		<b>0.38</b>	<b>0.38</b>		<b>0.00</b>	<b>0.00</b>	
<b>Op-CF</b>	<b>3,092</b>	<b>3,084</b>	<b>0.3%</b>	<b>3,884</b>		<b>1,449</b>	<b>1,598</b>		<b>769</b>	<b>681</b>	
<b>Net gearing ratio (%)</b>	<b>20%</b>	<b>21%</b>									
<b>Margins</b>											
GP margin	49.0%	51.5%		49.6%		47.8%	50.0%		44.3%	45.9%	
EBIT margin	43.9%	48.0%		44.3%		42.3%	44.4%		38.1%	39.8%	
Net margin	32.7%	35.6%		33.7%		31.1%	32.2%		26.6%	28.0%	
<b>Expenses as % of revenue</b>											
Business taxes	3.1%	2.7%		3.0%		3.3%	2.7%		3.9%	2.8%	
Selling expenses	0.2%	0.1%		0.1%		0.2%	0.1%		0.1%	0.2%	
Admin expenses	2.3%	2.3%		2.3%		2.5%	2.5%		3.0%	2.8%	
Impairment loss of assets	0.0%	0.0%		0.0%		0.0%	0.0%		0.0%	0.0%	
Non-operating expenses	0.4%	0.4%		0.4%		0.6%	0.6%		0.8%	0.5%	
Non-operating income	0.3%	1.4%		0.5%		0.5%	0.3%		0.7%	0.1%	
<b>Other ratios</b>											
Effective tax rate (%)	23.4%	23.5%		23.5%		23.7%	23.9%		25.6%	24.1%	
MI as % of NP	2.7%	2.4%		2.4%		2.4%	2.2%		1.9%	1.9%	
Dividend payout (%)	74.4%	70.7%		70.0%		NM	NM		0.0%	0.0%	
Op-CF/NPAT (x)	1.2x	1.1x		1.4x		1.2x	1.3x		1.5x	1.2x	

Source: Company data, J.P. Morgan estimates.

Table 2: Jiangsu Exy – FY14 result by segment

Rmb MMs (PRC GAAP)	FY13	FY14	Y/Y chg%	JPMe FY14	% Diff	2H13	2H14	Y/Y chg%
<b>Segmental analysis</b>								
<b>Total revenue</b>	<b>7,614</b>	<b>7,879</b>	<b>3.5%</b>	<b>8,159</b>	<b>-3.4%</b>	<b>3,946</b>	<b>3,952</b>	<b>0.2%</b>
<b>Toll roads</b>	<b>5,345</b>	<b>5,372</b>	<b>0.5%</b>	<b>5,404</b>	<b>-0.6%</b>	<b>2,785</b>	<b>2,729</b>	<b>-2.0%</b>
Shanghai-Nanjing Expressway	4,522	4,491	-0.7%	4,522		2,355	2,274	-3.4%
Shanghai-Nanjing Section of G312	53	53		53		28	27	
Nanjing Section of Nanjing-Lianyungang Highway	37	30		37		20	14	
Guangjing Xicheng Expressway	733	798		792		382	414	
<b>Ancillary Services</b>	<b>2,150</b>	<b>2,207</b>	<b>2.7%</b>	<b>2,258</b>	<b>-2.2%</b>	<b>1,103</b>	<b>1,109</b>	<b>0.5%</b>
Property sales	75	254	237.2%	451	-43.8%	33	91	170.5%
Advertising and others	44	46	4.4%	46	-0.6%	25	24	-2.5%
<b>Total operating expenses</b>	<b>(3,694)</b>	<b>(4,020)</b>	<b>8.8%</b>	<b>(4,108)</b>	<b>-2.1%</b>	<b>(1,974)</b>	<b>(2,062)</b>	<b>4.5%</b>
<b>Toll roads</b>	<b>(1,549)</b>	<b>(1,633)</b>	<b></b>	<b>(1,571)</b>	<b></b>	<b>(886)</b>	<b>(901)</b>	<b></b>
Shanghai-Nanjing Expressway	(1,085)	(1,107)		(1,012)		(594)	(602)	
Shanghai-Nanjing Section of G312	(201)	(277)		(316)		(133)	(142)	
Nanjing Section of Nanjing-Lianyungang Highway	(18)	(16)		(18)		(10)	(7)	
Guangjing Xicheng Expressway	(245)	(233)		(224)		(149)	(150)	
<b>Ancillary Services</b>	<b>(2,100)</b>	<b>(2,174)</b>	<b></b>	<b>(2,205)</b>	<b></b>	<b>(1,080)</b>	<b>(1,093)</b>	<b></b>
Property sales	(30)	(197)		(316)		2	(58)	
Advertising and others	(16)	(17)		(17)		(10)	(10)	
<b>Total gross profit</b>	<b>3,920</b>	<b>3,859</b>	<b>-1.6%</b>	<b>4,050</b>	<b>-4.7%</b>	<b>1,972</b>	<b>1,890</b>	<b>-4.1%</b>
<b>Toll roads</b>	<b>3,796</b>	<b>3,739</b>	<b>-1.5%</b>	<b>3,833</b>	<b>-2.4%</b>	<b>1,899</b>	<b>1,828</b>	<b>-3.7%</b>
Shanghai-Nanjing Expressway	3,436	3,384	-1.5%	3,510	-3.6%	1,761	1,672	-5.0%
Shanghai-Nanjing Section of G312	(147)	(224)		(263)		(105)	(115)	
Nanjing Section of Nanjing-Lianyungang Highway	19	14		19		11	7	
Guangjing Xicheng Expressway	488	565		567		233	264	
<b>Ancillary Services</b>	<b>50</b>	<b>34</b>	<b>-32.9%</b>	<b>53</b>	<b>-36.1%</b>	<b>23</b>	<b>16</b>	<b>-28.1%</b>
Property sales	46	56	23.6%	135	-58.3%	35	32	-8.5%
Advertising and others	28	29	4.0%	30	-1.0%	15	14	-6.9%
<b>Blended gross profit margin</b>	<b>51%</b>	<b>49%</b>	<b>-2.5</b>	<b>50%</b>	<b>-0.7</b>	<b>50%</b>	<b>48%</b>	<b>-2.1</b>
<b>Toll roads</b>	<b>71%</b>	<b>70%</b>	<b>-1.4</b>	<b>71%</b>	<b>-1.3</b>	<b>68%</b>	<b>67%</b>	<b>-1.2</b>
Shanghai-Nanjing Expressway	76%	75%	-0.7	78%	-2.3	75%	74%	-1.3
Shanghai-Nanjing Section of G312	-276%	-422%		-492%		-379%	-433%	
Nanjing Section of Nanjing-Lianyungang Highway	51%	48%		51%		53%	47%	
Guangjing Xicheng Expressway	67%	71%		72%		61%	64%	
<b>Ancillary Services</b>	<b>2%</b>	<b>2%</b>	<b>-0.8</b>	<b>2%</b>	<b>-0.8</b>	<b>2%</b>	<b>1%</b>	<b>-0.6</b>
Property sales	61%	22%	-38.5	30%	-7.7	105%	36%	-69.8
Advertising and others	64%	64%	-0.3	64%	-0.3	61%	58%	-2.7

Source: Company data, J.P. Morgan estimates.

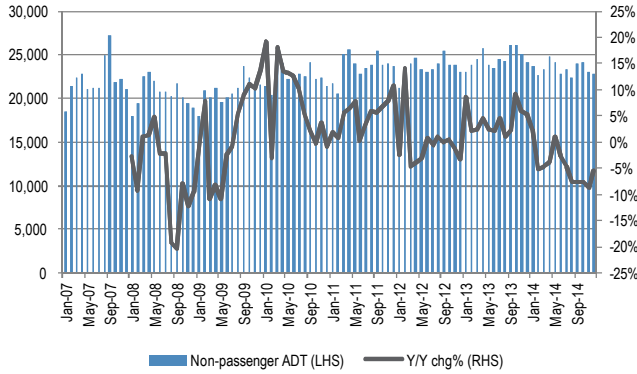
Table 3: Jiangsu Exy – 4Q14 result by segment

Rmb MMs (PRC GAAP)	4Q14	4Q13	Y/Y chg%	3Q14	3Q13	Y/Y chg%	9M14	9M13	Y/Y chg%
<b>Segmental analysis</b>									
<b>Total revenue</b>	<b>1,903</b>	<b>1,972</b>	<b>-3.5%</b>	<b>2,049</b>	<b>1,974</b>	<b>4%</b>	<b>5,976</b>	<b>5,642</b>	<b>6%</b>
<b>Toll roads</b>	<b>1,326</b>	<b>1,367</b>	<b>-3.0%</b>	<b>1,403</b>	<b>1,418</b>	<b>-1%</b>	<b>4,046</b>	<b>3,978</b>	<b>2%</b>
Shanghai-Nanjing Expressway	1,103	1,151	-4.2%	1,171	1,204	-3%	3,388	3,371	1%
Shanghai-Nanjing Section of G312	13	15	-10.6%	14	13	3%	40	39	3%
Nanjing Section of Nanjing-Lianyungang Highway	7	11	-34.8%	7	10	-26%	23	26	-12%
Guangjing Xicheng Expressway	203	190	6.8%	211	192	10%	595	543	10%
<b>Ancillary Services</b>	<b>516</b>	<b>562</b>	<b>-8.2%</b>	<b>593</b>	<b>541</b>	<b>10%</b>	<b>1,692</b>	<b>1,589</b>	<b>7%</b>
Property sales	48	30	63.2%	42	4	1007%	205	46	351%
Advertising and others	13	14	-9.0%	11	11	6%	33	30	11%

Source: Company data, J.P. Morgan research.

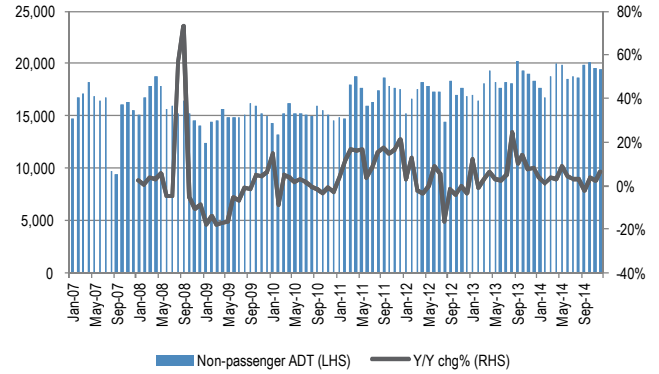
## Non-passenger ADT tracker

Figure 1: Shanghai-Nanjing Expressway



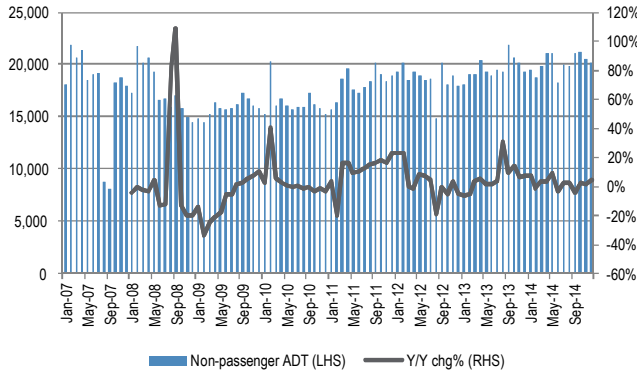
Source: J.P. Morgan estimates, Company data.

Figure 2: Xicheng Expressway



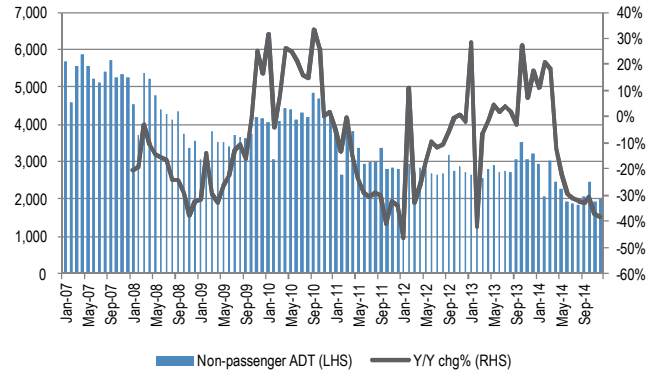
Source: J.P. Morgan estimates, Company data.

Figure 3: Guangjing Expressway



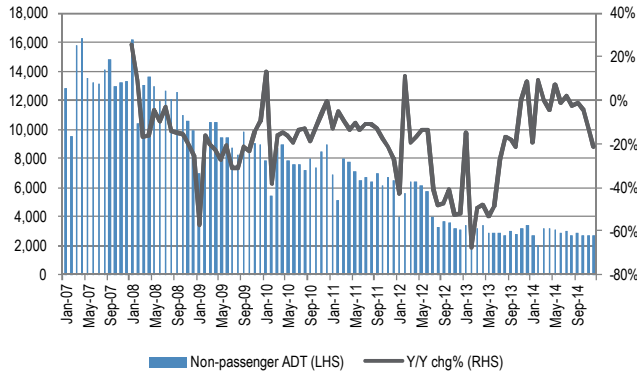
Source: J.P. Morgan estimates, Company data.

Figure 4: The Nanjing Section of Nanjing-Lianyungang Highway



Source: J.P. Morgan estimates, Company data.

Figure 5: The Shanghai-Nanjing Section of G312



Source: J.P. Morgan estimates, Company data.

## Investment Thesis, Valuation and Risks

### Jiangsu Expressway - H *(Neutral; Price Target: HK\$9.00)*

#### **Investment Thesis**

We expect modest but steady growth for Jiangsu Exy's tollroad business. Our revenue growth of 4% over the forecast period factors in the impact from the traffic diversion as a result of the opening of Li-Ma Exy, as well as that from the rationing restrictions imposed on Nanjing Ring Road (since beginning of 2014).

The stock trades at 12.2x P/E and 7.7x EV/EBITDA on FY15E, offering a yield of 5.7%, fair against projected ROE of c12% and EPS CAGR of 5.6% over FY15-16E, hence Neutral rating.

#### **Valuation**

We use a DCF valuation to derive our Dec-15 PT of HK\$9 for Jiangsu Expressway. We assume a WACC of 9.3%, based on a cost of equity of 11%, cost of debt of 4% and target gearing of 20%. Our valuation period ends with the respective concession period for each tollroad. Our PT implies a P/E of 12.4x/11.8x, P/B of 1.7x/1.6x, and an EV/EBITDA of 7.8/7.6x on FY15/FY16.

#### **Risks to Rating and Price Target**

Upside risks to our rating and price target include: 1) stronger-than-expected toll revenue recovery; and 2) milder-than-expected traffic diversion from competing roads, including Nanjing-Changzhou Exy.

Downside risks include: 1) further delay in property revenue; and 2) payout on DPS basis not maintained in case that one-off provision on G312 clean-up hits earnings.

## Jiangsu Expressway - H: Summary of Financials

Income Statement						Cash flow statement					
Rmb in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E	Rmb in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E
Revenues	7,796	7,614	8,159	8,450	8,753	Operating Income	3,346	3,655	3,616	3,740	3,869
% change Y/Y	5.3%	(2.3%)	7.1%	3.6%	3.6%	Depr. & amortization	978	964	978	1,002	1,026
EBITDA	4,324	4,619	4,594	4,742	4,896	Change in working capital	(366)	(556)	154	359	147
% change Y/Y	(1.5%)	6.8%	(0.5%)	3.2%	3.2%	Other operating activities	(569)	(952)	(928)	(1,071)	(1,200)
EBITDA Margin	55.5%	60.7%	56.3%	56.1%	55.9%	Cash flow from operations	3,189	3,084	3,884	4,186	4,078
EBIT	3,346	3,655	3,616	3,740	3,869	Capex	(165)	(241)	(150)	(150)	(150)
% change Y/Y	(1.3%)	9.2%	(1.1%)	3.4%	3.4%	Disposal/(purchase)	46	85	0	0	0
EBIT Margin	42.9%	48.0%	44.3%	44.3%	44.2%	Other investing activities	139	158	8	19	35
Net Interest	(318)	(282)	(236)	(168)	(114)	Cash flow from investing	(1,310)	(965)	(142)	(131)	(115)
Earnings before tax	3,146	3,627	3,679	3,897	4,105	Free cash flow	3,311	3,144	3,914	4,164	4,015
% change Y/Y	(3.6%)	15.3%	1.4%	5.9%	5.4%	Debt raised/(repaid)	173	(212)	(1,222)	(601)	(590)
Tax	(764)	(852)	(864)	(915)	(964)	Dividends paid	(2,165)	(2,162)	(1,914)	(1,923)	(2,036)
as % of EBT	24.3%	23.5%	23.5%	23.5%	23.5%	Other financing activities	(8)	(23)	(243)	(186)	(149)
Net income (reported)	2,333	2,708	2,746	2,909	3,064	Cash flow from financing	(1,999)	(2,397)	(3,379)	(2,710)	(2,775)
% change Y/Y	(4.0%)	16.0%	1.4%	5.9%	5.4%	Beginning cash	806	686	409	771	2,116
Shares outstanding	5,038	5,038	5,038	5,038	5,038	Ending cash	686	409	771	2,116	3,305
EPS (reported)	0.46	0.54	0.55	0.58	0.61	DPS	0.36	0.38	0.38	0.40	0.43
% change Y/Y	(4.0%)	16.0%	1.4%	5.9%	5.4%						
Balance sheet						Ratio Analysis					
Rmb in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E	Rmb in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E
Cash and cash equivalents	686	409	771	2,116	3,305	EBITDA margin	55.5%	60.7%	56.3%	56.1%	55.9%
Prepayment & other receivables	83	52	55	57	59	Operating margin	42.9%	48.0%	44.3%	44.3%	44.2%
Inventories	1,945	2,845	2,713	2,347	2,193	Net margin	29.9%	35.6%	33.7%	34.4%	35.0%
Other current assets	1,525	1,449	1,538	1,586	1,636	SG&A/Sales	2.4%	2.4%	2.4%	2.4%	2.4%
Current assets	4,240	4,754	5,078	6,107	7,194	Sales growth	5.3%	(2.3%)	7.1%	3.6%	3.6%
LT investments	3,493	3,789	4,088	4,412	4,761	EBITDA growth	(1.5%)	6.8%	(0.5%)	3.2%	3.2%
Net fixed assets	1,159	1,227	1,202	1,166	1,120	EPS growth	(4.0%)	16.0%	1.4%	5.9%	5.4%
Other non-current assets	297	1,307	1,307	1,307	1,307	Interest coverage (x)	13.6	16.4	19.5	28.3	43.0
Total Assets	25,849	26,834	26,629	27,130	27,690	Net debt to total capital	15.5%	13.3%	6.7%	(2.1%)	(8.1%)
Liabilities						Net debt to equity	18.4%	15.3%	7.1%	(2.0%)	(7.5%)
Short-term loans	3,752	3,222	601	92	76	Sales/assets	0.3	0.3	0.3	0.3	0.3
Construction cost payable	349	372	413	429	445	Assets/equity	139.1%	137.6%	133.6%	128.5%	125.0%
Other current liabilities	1,643	1,879	1,953	1,980	2,009	ROE	12.7%	14.1%	13.7%	13.9%	14.0%
Total current liabilities	5,744	5,472	2,967	2,501	2,530	ROCE	10.9%	12.2%	12.1%	12.5%	12.6%
Long-term debt	453	271	1,670	1,578	1,502						
Other liabilities	496	992	992	992	495						
Total Liabilities	6,694	6,736	5,630	5,072	4,527						
Minority interests	467	502	571	644	720						
Shareholders' equity	18,689	19,596	20,429	21,415	22,443						
BVPS	3.71	3.89	4.06	4.25	4.45						

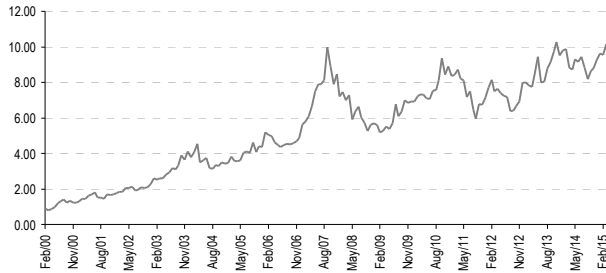
Source: Company reports and J.P. Morgan estimates.

**JPM Q-Profile**  
**Jiangsu Expressway Co. Ltd. Class H (CHINA / Industrials)**  
 As Of: 27-Mar-2015

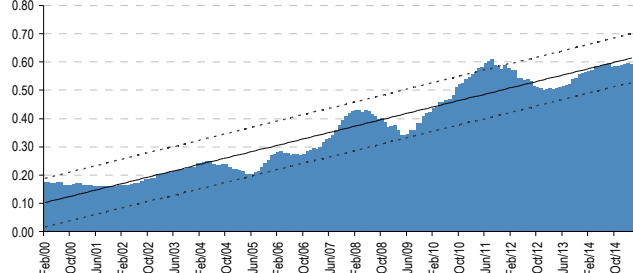
**Global Equity Quantitative Analysis**

Quant\_Strategy@jpmorgan.com

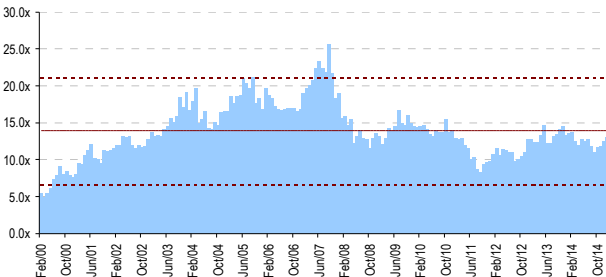
**Local Share Price** **Current: 10.16**



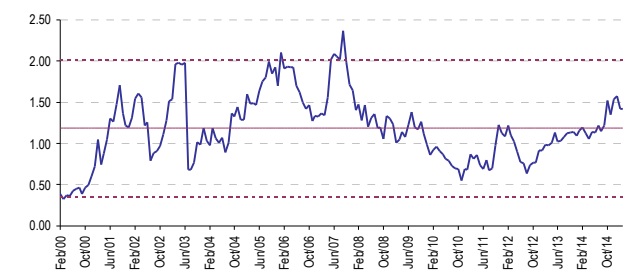
**12 Mth Forward EPS** **Current: 0.59**



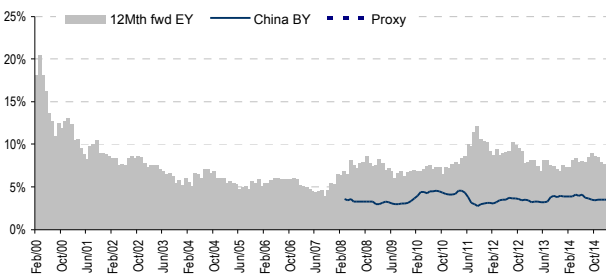
**PE (1Yr Forward)** **Current: 13.7x**



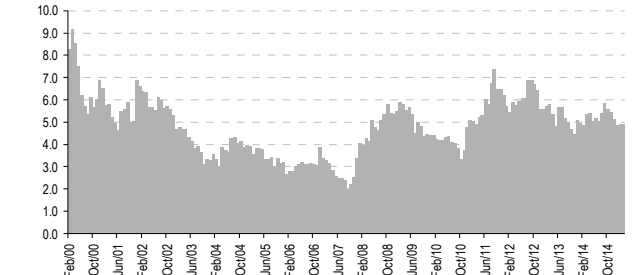
**P/E Relative to China Index** **Current: 1.42**



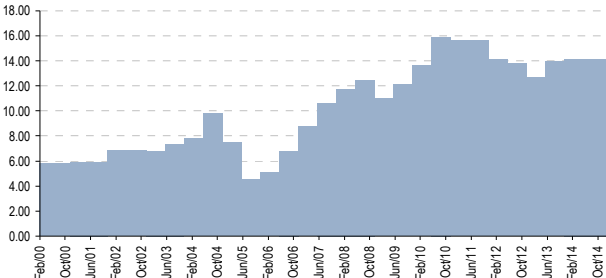
**Earnings Yield (& Local Bond Yield)** **Current: 7%**



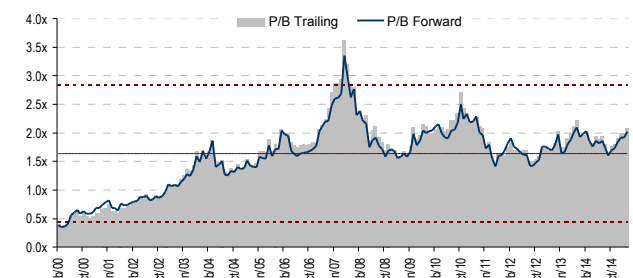
**Dividend Yield (Trailing)** **Current: 4.91**



**ROE (Trailing)** **Current: 14.15**



**Price/Book (Value)** **Current: 2.1x**



**Summary**

<b>Jiangsu Expressway Co. Ltd. Class H</b>						<b>As Of:</b> 27-Mar-15					
<b>CHINA</b>						<b>Local Price:</b> 10.16					
<b>Industrials</b>						<b>EPS:</b> 0.59					
	<b>Latest</b>	<b>Min</b>	<b>Max</b>	<b>Median</b>	<b>Average</b>	<b>2 S.D.+</b>	<b>2 S.D. -</b>	<b>% to Min</b>	<b>% to Max</b>	<b>% to Med</b>	<b>% to Avg</b>
12mth Forward PE	13.69x	4.91	25.59	13.31	13.90	21.16	6.63	-64%	87%	-3%	2%
P/BV (Trailing)	2.09	0.36	3.61	1.73	1.63	2.83	0.44	-83%	73%	-17%	-22%
Dividend Yield (Trailing)	4.91x	1.97	9.18	4.91	4.80	7.36	2.24	-60%	87%	0%	-2%
ROE (Trailing)	14.15	4.53	15.90	10.61	10.23	17.54	2.92	-68%	12%	-25%	-28%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, JPMorgan Quantitative & Derivative Strategy



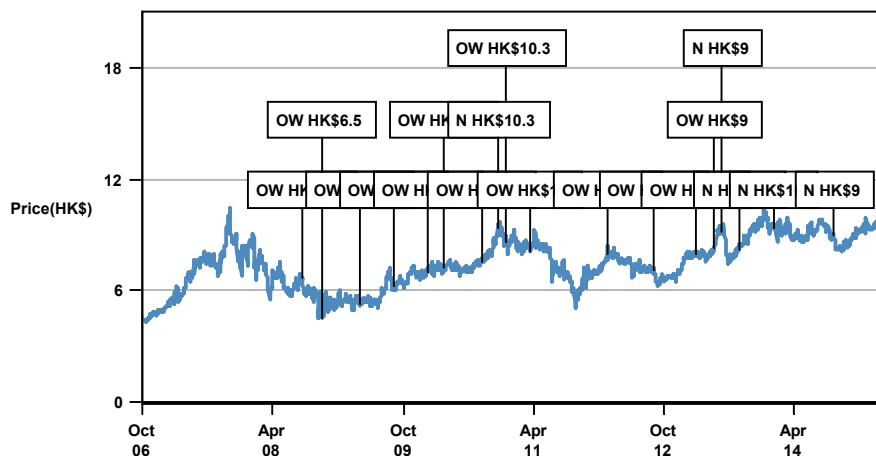
**Other Companies Discussed in This Report** (all prices in this report as of market close on 27 March 2015)  
 Zhejiang Expressway (0576.HK/HK\$9.90/Overweight)

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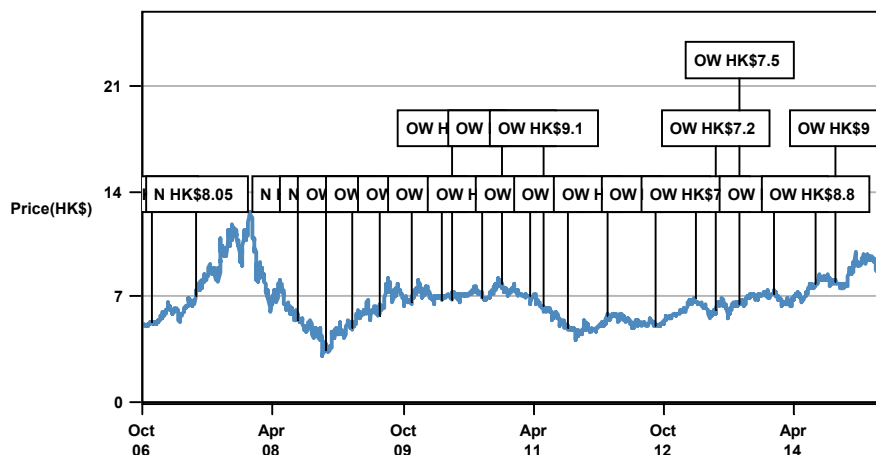
Jiangsu Expressway - H (0177.HK, 177 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
 Initiated coverage Jul 30, 2008.

Date	Rating	Share Price (HK\$)	Price Target (HK\$)
30-Jul-08	OW	6.65	7.80
28-Oct-08	OW	4.55	6.50
31-Mar-09	OW	5.26	6.20
23-Aug-09	OW	6.28	6.90
14-Jan-10	OW	6.96	8.60
22-Mar-10	OW	7.17	8.80
23-Aug-10	OW	7.58	9.10
29-Oct-10	N	9.40	10.30
02-Dec-10	OW	8.57	10.30
20-Mar-11	OW	8.04	10.00
06-Feb-12	OW	8.00	9.70
20-Aug-12	OW	7.07	8.60
05-Feb-13	OW	8.00	8.70
26-Apr-13	OW	8.24	9.00
27-May-13	N	9.20	9.00
10-Aug-13	N	8.21	9.40
06-Jan-14	N	9.32	10.00
12-Sep-14	N	8.89	9.00

Zhejiang Expressway (0576.HK, 576 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Nov 14, 2006.

Date	Rating	Share Price (HK\$)	Price Target (HK\$)
14-Nov-06	N	5.34	5.80
16-May-07	N	7.04	8.05
16-Jul-08	N	5.51	6.30
13-Nov-08	N	3.42	5.30
26-Feb-09	OW	4.89	6.20
21-Jun-09	OW	5.75	6.80
04-Nov-09	OW	6.71	7.60
15-Mar-10	OW	6.85	7.50
20-Apr-10	OW	6.83	8.10
30-Aug-10	OW	6.95	8.50
21-Nov-10	OW	7.89	9.10
14-Mar-11	OW	7.03	8.90
11-May-11	OW	6.45	9.10
23-Aug-11	OW	4.93	9.40
06-Feb-12	OW	5.71	8.30
26-Aug-12	OW	5.13	7.10
05-Feb-13	OW	6.89	7.40
07-May-13	OW	6.09	7.20
10-Aug-13	OW	6.52	7.50
06-Jan-14	OW	7.18	8.10
29-Jun-14	OW	7.85	8.80
15-Sep-14	OW	8.02	9.00

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IB clients*	56%	49%	33%
JPMS Equity Research Coverage	45%	48%	7%
IB clients*	75%	67%	52%

\*Percentage of investment banking clients in each rating category.

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