



Rating
Buy

Asia
China

Consumer
Retail / Wholesale Trade

Company
Midea Alert

Reuters 000333.SZ Bloomberg 000333 CH Exchange SHZ Ticker 000333

Date
28 March 2016

Results

Price at 25 Mar 2016 (CNY)	31.40
Price target - 12mth (CNY)	34.09
52-week range (CNY)	40.58 - 23.76
Shenzhen Index	1,972

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First take of FY15 results; in line with DBe

FY15 NP up 21% yoy, to RMB12.7bn, in line with our and market expectations

Midea reported FY15 results on 25 March, after the market close. NP rose 21% yoy, to RMB12.7bn, on a 2% decline in sales revenue, to RMB139bn. NP and the top line were in line with our and market expectations. Midea declared a dividend of RMB1.2 per share, implying a payout of 40% (unchanged vs. 2014). By segment, washing machines and refrigerators were the bright spots, with 17%/20% yoy sales growth. This was offset by an 11% decline in AC sales due to the output constraint. The GP margin improved 0.4ppts to 25.9% driven by the product mix change and a lower raw material price, while the opex ratio rose 0.4ppts mainly due to the 16% yoy increase of R&D expense (3.8% of revenue in FY15). The EBIT margin was flat yoy, at 9.3%.

4Q15 EBIT in line with Deutsche Bank estimates

For 4Q15, NP rose 9%, on a 26%/17% decline in EBIT/sales revenue. EBIT was in line with our expectations, while net profit beat our expectations, on a lower-than-expected ETR and higher-than-expected associates.

Key tasks in 2016

Midea plans to continue with its upgrade production capability, to streamline the supply chain, enforce a logistics platform, speed up its globalisation expansion and implement a smart home and smart manufacturing strategy.

Post-results conference call on 28 March

Midea will hold a conference call at 10-11 am on 28 March. We expect the key focus to be 1) the progress of AC de-stocking, 2) the update of the Toshiba (6502.T, NR) M&A, and 3) the outlook for 2016. The dial-in number is +86-25-68673555; meeting room: 9402; pass code: 5013.

Figure 1: 2015 results review

YE 31 Dec, RMBm	1Q15	2Q15	3Q15	4Q15	2015	4Q15 vs. DBe	2015 vs. DBe
Gross sales	42,574	40,301	29,159	27,313	139,347	-7.5%	-1.6%
yoy growth	10%	3%	-9%	-17%	-2%	-6.8%	-1.6%
Gross profit	11,434	11,245	6,793	6,649	36,121	-10.7%	-2.2%
GP margin	26.9%	27.9%	23.3%	24.3%	25.9%	-0.9%	-0.2%
EBIT	4,133	5,386	2,121	1,328	12,968	-1.8%	-0.2%
yoy growth	-2%	19%	-20%	-26%	-2%	-1.4%	-0.2%
EBIT margin	9.7%	13.4%	7.3%	4.9%	9.3%	0.3%	0.1%
Net profit	3,342	4,982	2,688	1,695	12,707	13.8%	1.6%
yoy growth	32%	22%	15%	9%	21%	13.2%	2.0%

Source: Deutsche Bank, Company data

Stock data

Market cap (CNYm)	133,943
Market cap (USDm)	20,558
Shares outstanding (m)	4,265.7
Major shareholders	Mr. He family (35%)
Free float (%)	39
Avg daily value traded (USDm)	74.844

Source: Deutsche Bank

Key data

FYE 12/31	2014A	2015E	2016E
Sales (CNYm)	141,501	140,654	154,430
Net Profit (CNYm)	10,502.2	12,501.6	13,644.0
DB EPS (CNY)	2.49	2.88	3.12
PER (x)	7.7	10.9	10.1
Yield (net) (%)	4.2	3.1	3.4

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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