

公司动态

中国航空工业国际 [232.HK; 0.66港元; 未评级] -

业务转型推动股价上涨

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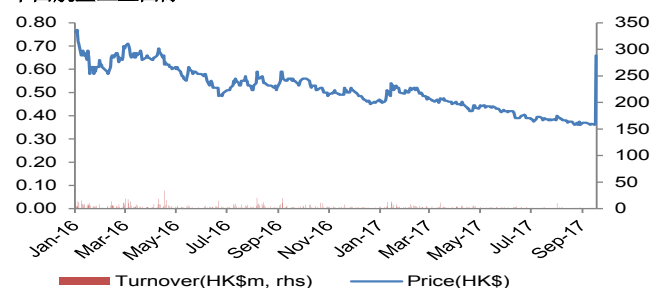
公司背景: 中国航空工业国际 (中航工业国际) 是一家投资控股公司, 主营业务包括地产开发和投资以及交易业务。截至17年6月底, 其最终母公司中航工业通过中航香港和中航国际持有其34.34%股权。

大胆转型向母公司收购飞机发动机业务: 于9月20日, 中航工业国际公布向母公司收购飞机发动机业务, 刺激股价上涨80.8%。根据公告, 中航工业国际同意向母公司收购Motto Investment的100%股权。Motto Investment主要在美国和欧洲市场生产和销售飞机发动机, 并为航机发动机和航机提供维修和保养服务。收购总代价为24亿港元, 其中10亿港元将以现金支付, 余下14亿港元将通过向中航香港和中航国际配发和发行38亿股代价股份支付, 发行价为每股0.37港元。交易完成后, 中航香港将作出回补发售最多24.84亿股, 基准为每持1股获发0.6855股之比例, 每股发售价为0.37港元。完成后, 中航国际及其一致行动集团持股将回复至34.35% (图1)。值得注意的是, 长和 (0001.HK) 也拥有该公司股权, 在收购和发行股份后后, 持股将维持不变于8.15%。

进行业务重组以获取中国通用航空业发展带来的增长: 该收购交易可视为中航工业国际母公司进一步资产重组的一部分。其母公司被国资委要求出售所有房地产业务。这也符合公司在2016年9月表示开展一系列业务和资产重组活动的方向, 即是收购某些资产和出售一些中国房地产市场房地产业务。在2016年, 公司出售了亏损的针织和纺织业务。现在, 随着中国通用航空业不断增长, 公司选择通过收购母公司的航机发动机业务进入市场。由于中国的中产阶级不断扩大, 可支配收入不断上升, 中国通用航空业的发展受到支持。在过去三十年, 中国GDP年均增长率超过10%, 中国通用航空业的发展将受到以下因素推动: 1) 高空作业需求的增加; 2) 更多民间个人参与; 3) 民用航空发展和增长。中国通用航空业的持续发展有望为飞机制造商、飞机租赁、飞行学校运营商、固定基地运营商, 以及租赁、维修和检修服务提供商带来增长机会。根据中国民航局的数据, “十二五”期间中国通用航空业的飞机数量和工作量分别实现17.2%和14.8%的年均复合增长率。民航总局的目标是在十三五期间, 通用航空飞机的数量实现17.5%的年均复合增长率, 同期内飞行时间的的年均复合增长率将达20.8%。

Motto Investment是美国通用航空飞机发动机行业龙头。根据Euromonitor, Motto Investment是全球市场上通用航空飞机活塞式发动机的领先生产商和服务提供商之一。公司自1929年以来一直有经营活塞式飞机发动机制造业务。公司的产品可以用于不同的飞机型号, 公司还有能力生产通用航空飞机的柴油和汽油活塞式发动机, 从这个角度, 公司具有独特的行业地位。Motto Investment还拥有生产无人机系统的技

中国航空工业国际



市值: 4.67亿美元; 自由流通量: 57.5%

HK\$m	2012	2013	2014	2015	2016
收入 (百万元)	87	48	71	2,155	103
毛利 (百万元)	10	5	6	181	29
毛利率 (%)	11.6	10.9	8.2	8.4	27.7
经营利润 (百万元)	-40	-62	-175	138	-92
经营利润率 (%)	na	na	na	6.4	na
税前利润 (百万元)	423	478	6	206	-743
净利润 (百万元)	360	397	27	42	-686
净利润率 (%)	na	na	38.5	1.9	na
每股盈利 (人民币)	0.08	0.09	0.01	0.01	-0.12
股本回报率 (%)	18.4%	17.9%	1.0%	1.5%	na
股息收益率 (%)	0.0	0.0	0.0	0.0	0.0
市盈率 (倍)	8.6	7.7	111.9	86.8	na
市净率 (倍)	1.6	1.4	1.3	1.3	1.8

来源: 公司, 中国银河国际证券研究部

术, 无人机系统目前在市场上也是比较热门的领域。Motto Investment在北美和欧洲都有制造业务。目前, 公司的中国业务仅从事公司产品销售和售后服务。长远而言, 预计中国将有越来越多的OEM飞机开发商, 该公司的中国实体也将致力于这些飞机开发商提供技术开发和工程支持。

投资思路: 我们认为, 中航工业国际将有可能获母公司注入更多通用航空相关资产。中航工业国际还计划出售房地产业务。截至17年6月底, 其开发中和待售的物业的账面值为43亿港元, 投资性物业的账面值则为3.25亿港元。鉴于两家公司的业务性质正在转变, 现时较难判断收购会使2017年甚至2018年盈利前景产生什么实际变化。但是由于得到母公司支持, 我们预计这次收购将增厚中航工业国际的价值。如果母公司对于重组海外业务平台有更进一步的计划, 应会对中航工业国际股价带来刺激作用。值得参考的例子是其母公司的另一海外平台中航科工 (2357 HK), 其市值目前是中航工业国际的7.7倍。

COMPANY NOTE

AVIC International Holding (HK) Limited [232.HK; HK\$0.66; NOT RATED] – Share price riding on the business transformation wave

Analyst: Kelly Zou (kellyzou@chinastock.com.hk; Tel: (852) 3698 6319)

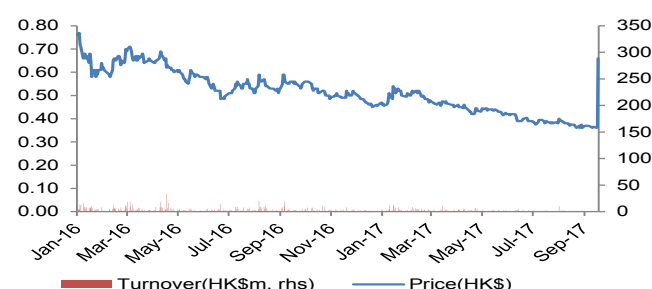
The Company: AVIC International Holding (HK) Limited (AVIC Int'l) is an investment holding company with principal business activities including property development, and investment and trading. As at the end of 1H17, its ultimate parent company, AVIC Industry Corporation of China (AVIC), held a 34.34% equity stake in the Company through shareholdings in AVIC HK and AVIC International Holding Corporation.

Big move to acquire the aircraft engine business from the parent company: AVIC Int'l's share price rose 80.8% on 20 September after its announcement regarding its acquisition of the aircraft engine business from its parent company. To recap, AVIC Int'l agreed to acquire a 100% equity stake in Motto Investment from its parent company. Motto Investment produces and sells aircraft engines, and provides repair and maintenance services for aircraft engines and aircraft in the US and European markets. The total deal consideration for the acquisition is HK\$2.4bn, of which HK\$1.0bn will be settled in cash, and the balance of HK\$1.4bn will be paid by the allotment and issue of 3.8bn consideration shares at HK\$0.37 to the concert group, namely AVIC HK and AVIC International Holding Corporation. Upon completion of the transaction, AVIC HK will also offer no more than 2.5bn offer shares to the qualifying shareholders on a pro rata basis of 0.6855 offer share for every one share at HK\$0.37 per offer share. The stake held by the concert group in AVIC Int'l will remain unchanged at 34.35% (Fig 1). It is worth noting that CK Hutchison (0001.HK) also has a stake in the Company, which will remain unchanged at 8.15% before and after the acquisition and share offer.

Business restructuring to seek growth from the rising general aviation industry in China: This business acquisition can be seen as part of AVIC Int'l's wider asset restructuring campaign implemented by its parent company. Its parent company is required by SASAC to dispose of all its real estate business. This also fits the Company's agenda which it announced in September 2016 to initiate a series of business and asset reorganization activities, i.e. acquiring certain assets and disposing of its real estate development business in the China market. It disposed of its loss-making knitting and textile business in 2016. Now eyeing the positive business-growth opportunities resulting from the rising general aviation industry in China, the Company chose to enter the market via acquiring its parent company's aircraft engine business. The rising disposable income of the expanding middle class in China is supporting the development of the general aviation industry in China. On the back of China's average annual GDP growth of over 10% for the past three decades, the general aviation industry development in China has been boosted by 1) demand for aviation-related work, 2) private sector involvement, and 3) civil aviation development and growth. The continued development of the general aviation sector in China is expected to create growth opportunities for aircraft manufacturers, aircraft leasing, flight school operators, fixed base operators and leasing, and maintenance, repair and overhaul service providers. Based on Civil Aviation Administration of China (CAAC) data, the number of aircraft and work volume for the general aviation industry in China grew at a CAGR of 17.2% and 14.8%, respectively, in the 12th FYP. The CAAC's target is for the number of general aviation aircraft to grow at a CAGR of 17.5% during the 13th FYP and for flight hours to grow at a CAGR of 20.8% during the same period.

Motto Investment is the industry leader in the general aviation aircraft engine industry in the US market: According to Euromonitor, Motto Investment is one of the leading manufacturers of, and services providers for, general aviation aircraft piston engines in the global market. The Company

AVIC International



Market Cap: US\$467m; Free Float: 57.5%

HK\$ m	2012	2013	2014	2015	2016
Revenue (m)	87	48	71	2,155	103
Gross profit (m)	10	5	6	181	29
GPM (%)	11.6	10.9	8.2	8.4	27.7
Operating profit (m)	-40	-62	-175	138	-92
Operating profit margin (%)	na	na	na	6.4	na
Profit before tax (m)	423	478	6	206	-743
Net profit (m)	360	397	27	42	-686
Net margin (%)	na	na	38.5	1.9	na
EPS (Rmb)	0.08	0.09	0.01	0.01	-0.12
ROE (%)	18.4%	17.9%	1.0%	1.5%	na
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
PER (x)	8.6	7.7	111.9	86.8	na
PBR (x)	1.6	1.4	1.3	1.3	1.8

Source: Company data, CGIS Research

has been in the piston aircraft engine manufacturing industry since 1929. It has a unique industry position in terms of its ability to produce engines ranging across different market sectors and produces both diesel and gasoline piston engines for general aviation aircraft. Motto Investment also has the technology to produce unmanned aircraft systems (UAS), which have a most promising long-term growth outlook. Motto Investment has a manufacturing presence in both North America and Europe. Currently, its China business unit is engaged only in product sales and after-sales service. But its China entity also aims to provide technology development and engineering support for the growing number of new OEM aircraft developers expected to be established in China in the long term.

Stock implications: We believe AVIC Int'l's parent company is likely to make further asset injections into AVIC Int'l related to the general aviation industry. AVIC Int'l also has plans to dispose of its real estate business. By the end of 1H17, the book value of its properties under development and held for sale stood at HK\$4.3bn, and the book value of its investment properties was HK\$325m. Given the changing nature of the business of both companies, it is too early to determine the earnings outlook for AVIC Int'l after the acquisition in 2017 and even in 2018. But with parent company support, we expect this acquisition to provide value accretion to AVIC Int'l. If the parent company has even bigger plans to restructure its overseas business platform, there should be plenty of room for the share price to run. For instance, the market cap for AviChina (2357 HK), the parent company's other overseas business platform, is currently 7.7x the market cap of AVIC Int'l.

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Figure 1: Shareholder structure of AVIC Int'l before and after the asset injection and share offering

	Before acquisition	Acquisition completion	Share offering completion
The concert group			
-Tacko International Ltd	34.34%	20.37%	20.37%
-AVIC HK	0.00%	40.67%	13.97%
CK Hutchison Holdings Ltd	8.15%	4.84%	8.15%
Other public shareholders	57.50%	34.11%	57.50%

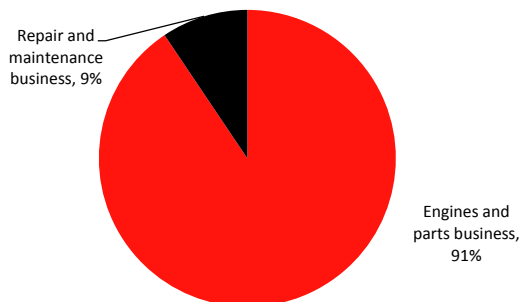
Source: Company data, CGIS Research

Figure 2: Motto Investment Ltd company profile

Subsidiary	Business
CMI	Design, development and production of new and rebuilt piston engines, ignition systems and spare parts for major general aviation airframe manufacturers in the US
CMS	Providing repair and maintenance services for aircraft engines and aircraft in the US
CMB	Distribution and sales of aircraft engines and engine components in the PRC
TMG	Design, development and production of diesel piston aircraft engines and production of certain piston aircraft engine parts for gasoline fueled engines

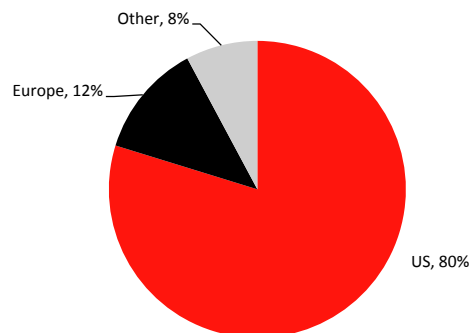
Source: Company data, CGIS Research

Figure 3: Motto Investment revenue mix



Sources: Company data, CGIS Research

Figure 4: Motto Investment geographic revenue breakdown



Sources: Company data, CGIS Research

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Figure 5: Key financial metric comparison: AVIC Int'l vs. Motto Investment

FY12/31	2014	2015	2016
Avic Int'l			
Revenue (HK\$ m)	71	2,155	103
Profit before tax (HK\$ m)	6	206	-743
Net profit (HK\$ m)	27	42	-686
NAV (HK\$ m)			1,973
Motto Investment			
Revenue (HK\$ m)	1,259	1,277	1,594
Profit before tax (HK\$ m)	-39	44	74
Net profit (HK\$ m)	-60	90	42
NAV (HK\$ m)			85
Motto Investment vs. AVIC Int'l			
Revenue (x)	17.8	0.6	15.5
Profit before tax (x)	na	0.2	na
Net profit (x)	na	2.2	na
NAV (x)			0.04

Source: Company data, CGIS Research

Figure 6: Peer comparison

	Ticker	Mkt cap	Price	PER			EPS growth			PEG		P/Bk		Dividend yield			ROE		
				2016	2017E	2018E	2016	2017E	2018E	2017E	2016	2017E	2018E	2016	2017E	2018E	2016	2017E	2018E
		US\$ m	(lc)																
AviChina	2357 HK	3,617	4.73	21.2	18.9	16.1	-2.1%	12.2%	17.5%	1.5	1.8	1.6	1.4	0.4%	0.5%	0.6%	8.4%	8.4%	8.9%
Avic Int'l	232 HK	467	0.66	na	na	na	na	na	na	na	1.8	na	na	0.0%	na	na	na	na	na
Avic Aircraft	000768 CH	7,983	18.96	127.1	83.2	59.8	0.7%	52.8%	39.0%	1.6	3.4	3.3	3.2	0.3%	0.4%	0.7%	2.7%	4.0%	5.3%
China Avionics	600372 CH	4,449	16.63	63.5	52.0	43.8	-3.5%	22.3%	18.8%	2.3	4.9	4.5	4.1	0.3%	0.3%	0.4%	7.7%	8.6%	9.4%
Avic Jnhon Optronic Tech	002179 CH	4,120	34.25	36.5	30.1	23.5	29.8%	21.2%	28.2%	1.4	6.5	5.4	4.5	0.2%	0.3%	0.4%	17.9%	17.9%	19.0%
Avic Electromechanical	002013 CH	3,981	10.88	44.1	36.6	30.8	0.0%	20.4%	18.9%	1.8	3.5	3.0	2.8	0.2%	0.6%	0.7%	7.9%	8.3%	9.1%
AVIC Helicopter	600038 CH	3,831	42.73	57.4	49.2	37.2	0.5%	16.6%	32.2%	3.0	3.7	3.5	3.3	0.5%	0.6%	0.8%	6.4%	7.1%	8.8%
Jiangxi Hongdu Aviation	600316 CH	1,990	18.25	1185.1	338.0	188.1	-85.9%	250.6%	79.6%	1.3	2.6	2.5	2.5	0.0%	0.0%	0.1%	0.2%	0.7%	1.3%
Zhonghang Heibao	600760 CH	1,725	32.89	328.9	71.5	60.9	na	360.0%	17.4%	0.2	25.3	na	na	0.0%	na	na	7.7%	na	na
Sichuan Chengfei	002190 CH	1,550	29.52	73.8	210.9	101.8	53.8%	-65.0%	107.1%	-3.2	5.7	na	na	0.4%	na	na	7.7%	na	na

Source: Bloomberg, company data, CGIS Research, Note: based on closing prices on 20 September, 2017

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