

Lenovo Group

Still struggling under financial pressure; revise down TP to HK\$2.60

Results Review

Lenovo 3QFY18 in line with expectations

Lenovo Group announced its 3QFY18 results: revenue +6.3% YoY to US\$12.9bn, in line with both our and consensus estimates; **pre-tax income was US\$150mn (+48.3% YoY)**, basically in line; while **net losses were US\$289mn**, mainly due to a US\$400mn one-time non-cash write-off of deferred income tax assets due to US Tax Reform.

Trends to watch

Traditional business still struggles: 1) PC market expected to recover slightly. PC revenue +9.2% YoY, given its shipments were flat it was mainly driven by rising ASP. 4QFY18 likely to continue with single-digit growth, and to maintain solid upwards momentum in FY19. PC segment's margins will stabilize as impact of component prices fade. **2) DCG still transforming.** DCG reported strong growth in both revenue (+17% YoY & +26% QoQ) & shipments, as it saw accelerating growth of high performance computing (HPC) business, while traditional products are still in trouble. And, **3) mobile continues to disappoint.** Lenovo's mobile business saw its revenue/shipments fall by 5%/18% YoY in 3QFY18, due to the weak performance of high-end models and fiercer competition. We believe Lenovo will face heavier headwinds if domestic mobile vendors expand their overseas landscapes; hence, we remain cautious about its mobile business and its related huge losses.

Financial risks see striking rise. As of 3QFY18, Lenovo had total debts of US\$2.7bn, bringing heavy financial costs; its perpetual notes will further impact margins and its leverage ratio has risen to 5.7. High leverage and huge intangible assets have seen Lenovo incur significant financial risks, harming its financial stability.

Earnings forecast

We raise our FY18/19 earnings forecasts by 0.6%/5.0% to US\$44.6bn/45.9bn and trim adjusted net profit by 55%/2.3% to US\$202mn/400mn, implying EPS of HK\$0.14/0.26.

Valuation and recommendation

We reaffirm our SELL rating and cut our target price by 19% from HK\$3.20 to HK\$2.60, based on 10x FY19 P/E.

Risks

Financial risks related to M&A.

Kai QIAN

Analyst
 kai.qian@cicc.com.cn
 SAC Reg. No.: S0080513050004
 SFC CE Ref: AZA933

Liping ZHAO

Analyst
 liping.zhao@cicc.com.cn
 SAC Reg. No.: S0080516060004
 SFC CE Ref: BEH709

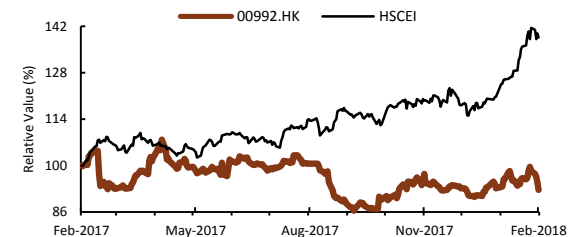
Zhenyang CHEN

Associate
 zhenyang.chen@cicc.com.cn
 SAC Reg. No.: S0080116090012

Maintain SELL

Ticker	00992.HK
CICC investment rating	SELL
Last close	HK\$4.39
CICC target	HK\$2.60

52wk price range	HK\$5.11~4.04
Market cap (bn)	HK\$53
Daily value (mn)	HK\$253.94
Shares outstanding (mn)	12,015
Free float (%)	100
Daily volume (mn sh)	55.71
Business sector	Technology Hardware & Equipment



(US\$ mn)	2016A	2017A	2018E	2019E
Revenue	44,912	43,035	44,565	45,868
(+/-)	-3.0%	-4.2%	3.6%	2.9%
Net profit	-128	535	-78	100
(+/-)	-115.5%	N.M.	-114.5%	N.M.
EPS	-0.01	0.05	-0.01	0.01
BPS	0.27	0.37	0.32	0.31
DPS	0.03	0.03	0.00	0.00
CPS	0.03	0.19	0.12	0.07
P/E	N.M.	11.6	N.M.	67.7
P/B	2.1	1.5	1.8	1.8
EV/EBITDA	N.M.	N.M.	N.M.	N.M.
Dividend yield	5.6%	5.6%	0.0%	0.7%
ROAA	-0.5%	2.1%	-0.3%	0.4%
ROAE	-3.6%	15.0%	-2.0%	2.7%

Source: Wind, Bloomberg, company data, CICC Research



Financial summary

Financial statement (USD mn)	2016A	2017A	2018E	2019E	Financial ratios	2016A	2017A	2018E	2019E
Income statement					Growth ability				
Revenue	44,912	43,035	44,565	45,868	Revenue	-3.0%	-4.2%	3.6%	2.9%
COGS	-38,288	-36,929	-38,460	-39,539	Operating profit	-105.6%	N.M.	-49.0%	20.3%
Selling expenses	-2,373	-2,681	-2,830	-2,844	EBITDA	-260.3%	N.M.	N.M.	N.M.
Administrative expenses	-2,109	-1,852	-1,693	-1,743	Net profit	-115.5%	N.M.	-114.5%	N.M.
Other ops income (expense)	-715	450	53	0	Profitability				
Operating profit	-62	672	343	413	Gross margin	14.7%	14.2%	13.7%	13.8%
Finance costs	-204	-204	-214	-229	Operating margin	-0.1%	1.6%	0.8%	0.9%
Other income (expense)	2	11	0	0	EBITDA margin	-1.8%	-0.2%	-0.9%	-0.9%
Profit before income tax	-277	490	129	183	Net margin	-0.3%	1.2%	-0.2%	0.2%
Income tax	132	41	-155	-28	Liquidity				
Minority interest	16	7	2	-3	Current ratio	0.82	0.81	0.78	0.78
Net profit	-128	535	-78	100	Quick ratio	0.66	0.66	0.63	0.64
EBITDA	-802	-70	-412	-425	Cash ratio	0.12	0.15	0.16	0.16
Recurrent net income	1,125	656	202	400	Liabilities / assets	87.9%	84.9%	86.1%	85.9%
Balance sheet					Net debt / equity	43.4%	6.8%	38.3%	36.5%
Cash and bank balances	1,927	2,755	2,910	2,974	Return				
Trade and bill receivables	4,534	4,537	4,457	4,587	RoA	-0.5%	2.1%	-0.3%	0.4%
Inventories	2,637	2,794	2,500	2,570	RoE	-3.6%	15.0%	-2.0%	2.7%
Other current assets	3,868	4,783	3,907	4,017	Per-share data				
Total current assets	12,967	14,868	13,773	14,148	EPS (USD)	-0.01	0.05	-0.01	0.01
Fixed assets and CIP	1,391	1,236	1,309	1,375	BPS (USD)	0.27	0.37	0.32	0.31
Intangible assets and others	10,575	11,081	11,072	11,073	DPS (USD)	0.03	0.03	0.00	0.00
Total non-current assets	11,967	12,318	12,381	12,448	Cash flow per share (USD)	0.03	0.19	0.12	0.07
Total assets	24,933	27,186	26,154	26,596	Valuation				
Short-term borrowings	746	70	1,346	1,384	P/E	N.M.	11.6	N.M.	67.7
Trade and bill payables	4,501	6,486	5,769	5,931	P/B	2.1	1.5	1.8	1.8
Other current liabilities	10,513	11,778	10,643	10,786	EV/EBITDA	N.M.	N.M.	N.M.	N.M.
Total current liabilities	15,760	18,334	17,758	18,100	Dividend yield	5.6%	5.6%	0.0%	0.7%
Long-term borrowings	2,505	2,967	2,967	2,967					
Total non-current liabilities	6,147	4,757	4,757	4,757					
Total liabilities	21,907	23,091	22,515	22,857					
Share capital	2,690	2,690	2,690	2,690					
Retained profit	310	534	78	177					
Equity	3,026	4,095	3,639	3,739					
Total liabilities & equity	24,933	27,186	26,154	26,596					
Cash flow statement									
Pretax profit	-277	490	129	183					
Depreciation & amortization	741	742	755	769					
Change in working capital	-147	1,705	675	31					
Others	-24	-817	-207	-84					
Cash flow from operations	292	2,120	1,352	900					
Capital expenditure	-751	-639	-819	-835					
Others	-102	-759	0	0					
Cash flow from investing	-854	-1,398	-819	-835					
Equity financing	-171	723	0	0					
Bank borrowings	-415	-682	0	0					
Others	282	105	-378	0					
Cash flow from financing	-305	145	-378	0					
Foreign exchange gain (loss)	-62	-40	0	0					
Net changes in cash	-928	828	155	64					

Source: Company data, CICC Research

Company description

Lenovo Group Ltd. is an investment holding company which develops, manufactures and markets technology products and services, including laptops, tablets, desktops and all-in-ones, workstations, servers, accessories and software. It operates in four geographical areas: China, Asia Pacific, Europe/Middle East/Africa, and the Americas. The Lenovo Group was founded in 1984 and is headquartered in Hong Kong.



PC: raising ASP to improve margins while shipments flat

Lenovo reported PC revenue saw solid growth of 9.2% YoY, outperforming the market by 4.4ppt. Given that its shipments remained flat in 4Q17 (Lenovo's 3QFY18), the main growth driver was its ASP (average selling price). As a result, Lenovo's worldwide market share decreased by 0.2ppt in this quarter, according to IDC.

Figure 1: Worldwide traditional PC shipments (4Q17)

Company	4Q17		4Q16		4Q17/4Q16 Growth
	Shipments	Market Share	Shipments	Market Share	
1. HP Inc	16,572	23.5%	15,297	21.8%	8.3%
2. Lenovo	15,704	22.2%	15,711	22.4%	0.0%
3. Dell Inc	11,078	15.7%	11,001	15.7%	0.7%
4. Apple	5,770	8.2%	5,375	7.7%	7.3%
5. ASUS	4,535	6.4%	5,105	7.3%	-11.2%
5. Acer Group	4,492	6.4%	4,889	7.0%	-8.1%
Others	12,429	17.6%	12,710	18.1%	-2.2%
Total	70,579	100.0%	70,089	100.0%	0.7%

Note: IDC declares a statistical tie where the differences in market shares of ASUS and Acer are < 0.1%.

Source: IDC, CICC Research

Figure 2: Worldwide traditional PC shipments (2017)

Company	2017		2016		2017/2016 Growth
	Shipments	Market Share	Shipments	Market Share	
1. HP Inc	58,800	22.7%	54,319	20.9%	8.2%
2. Lenovo	54,857	21.1%	55,517	21.3%	-1.2%
3. Dell Inc	41,821	16.1%	40,731	15.7%	2.7%
4. Apple	19,661	7.6%	18,558	7.1%	5.9%
5. Acer Group	17,564	6.8%	17,649	6.8%	-0.5%
6. ASUS	17,109	6.6%	19,140	7.4%	-10.6%
Others	49,716	19.1%	54,243	20.9%	-8.3%
Total	259,529	100.0%	260,158	100.0%	-0.2%

Source: IDC, CICC Research

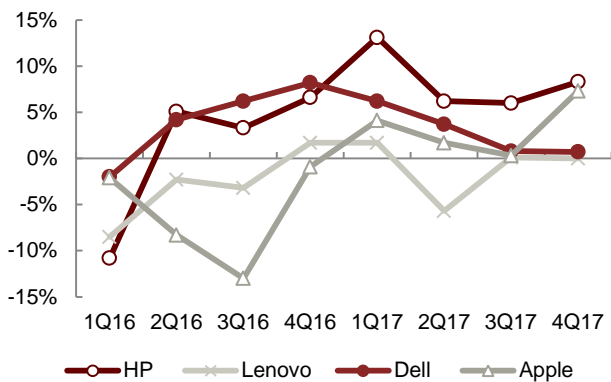
Figure 3: 4Q17 traditional PC shipments in US market; Lenovo sharply lost its market share

Company	4Q17		4Q16		4Q17/4Q16 Growth
	Shipments	Market Share	Shipments	Market Share	
HP Inc.	5,130	33.7%	5,049	30.5%	1.6%
Dell	3,691	24.3%	4,209	25.4%	-12.3%
Apple	1,972	13.0%	2,003	12.1%	-1.6%
Lenovo	1,792	11.8%	2,344	14.2%	-23.6%
Acer Group	587	39.0%	661	4.0%	-11.2%
Others	2,042	13.4%	2,276	13.8%	-10.3%
Total	15,214	100.0%	16,543	100.00%	-8.0%

Source: Gartner, CICC Research

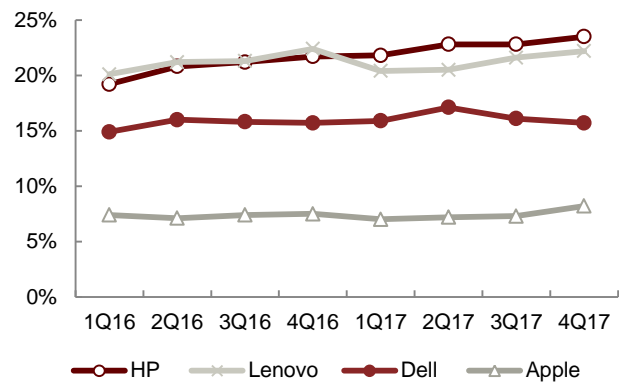


Figure 4: Worldwide PC shipment growth



Source: IDC, CICC Research

Figure 5: Worldwide PC shipment market share



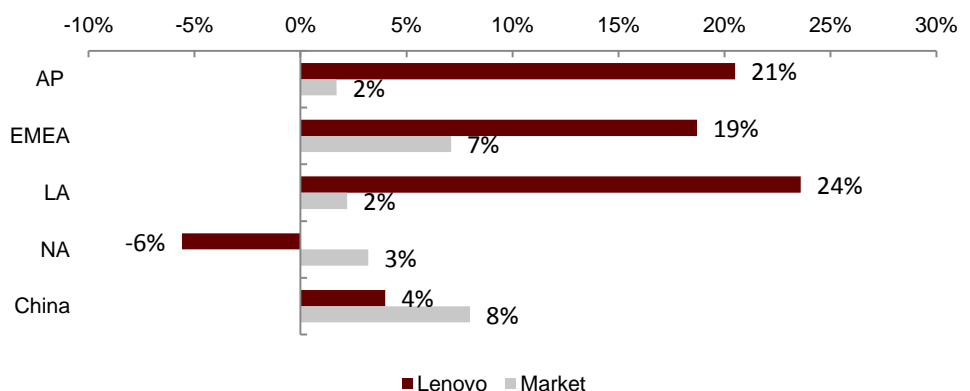
Source: IDC, CICC Research

Alongside rising ASP, Lenovo continued to optimize its product matrix and the PTI margin of its PC business rose slightly (+0.1ppt QoQ), partially migrating the impacts of component price hikes. However, Lenovo was sluggish on PC shipments and lost market share due to its main competitors, HP and Dell, which provided more competitive prices. According to IDC, the PC shipments of HP/Apple/Dell increased 8.3%/7.3%/0.7% YoY in 4Q17, compared to Lenovo's flat performance.

We believe the PC market will still be challenging for Lenovo, although as a mature market it will likely recover in 2018, mainly due to:

- ▶ **Rising ASP hurts Lenovo's competitiveness under fierce market competition.** We believe if Lenovo maintains its strategy of raising ASP to pass on its heavy pressure from component price hikes, it will continue to face strong headwinds on PC shipments. Its main competitors – such as HP and Dell – will take over more market share.
- ▶ **Revenue growth on PC business diverges.** Lenovo reported strong revenue growth in Asia Pacific/EMEA/Latin America (+20.5%/18.7%/23.6% YoY), while revenue in China and North America (NA) underperformed the market (+4%/-5.6% YoY). The China & NA markets are Lenovo's main profit sources. Disappointing revenue growth in these markets may further hurt the margins of Lenovo's PC business.
- ▶ **Mature market shows recovery trend, but Lenovo's competitors have better performance.** Lenovo's revenue in NA market decreased 5.6% YoY, while the market increased 3.2% YoY, which means Lenovo's competitors (HP/Dell/Apple) have better performances, benefiting more from higher growth and better margins.

Figure 6: PC revenue growth in 3QFY18



Source: Gartner, CICC Research

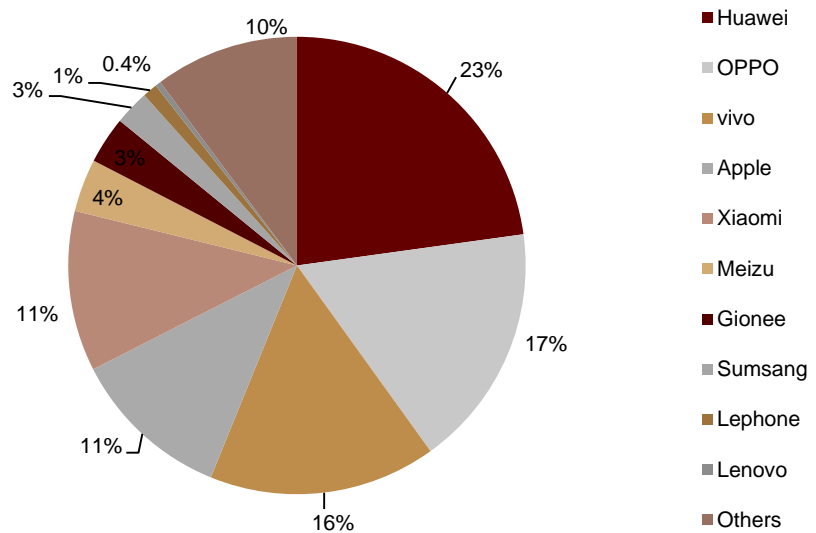


Mobile: explore profits in cozy markets and escape from competitions

Lenovo continues reporting strong growth in Latin America, with shipments +24% YoY and revenue +37% YoY, also improving its profitability. Meanwhile, shipments in the NA market increased 85% YoY, driven by initial success in mainstream models with carrier expansion. However, we believe the growth is temporary, and driven by channel expansion instead of product improvements.

In China, Lenovo’s market share continues to shrinking to 0.4% per GFK, proof that it is still struggling in the domestic market. Meanwhile, in the India market, Xiaomi and OPPO have taken market share from Lenovo and delivered strong shipment growth. Thus, if these Chinese domestic vendors accelerate expansion in the NA and Latin America markets, we expect that Lenovo will quickly lose its market share, similar to what has happened in China and India. With the help of e-commerce, the market has become more flat and value more to do with product competitiveness rather than channels advantages. Thus, we still remain cautious on the competitiveness of its mobile business.

Figure 7: Market share of mobile shipments in China (2017)



Source: GFK, CICC research.

At the same time, Lenovo is also facing strong headwinds in the high-end mobile market. We believe this problem will have a more serious impact on its mobile business’ revenue growth and profitability as mature markets generally consume more high-end products. And Lenovo’s low-end models are more sensitive to component prices, which further clouds its mobile business, given the sharp fluctuations in component prices.

Lenovo reported slight improvements in the profitability of its mobile business due to its continuous restructuring, but it is still hard to estimate the timetable of its turnaround. We believe this segment will continue to be heavily troubled.

Servers: temporary improvements

Lenovo’s server segment’s quarterly revenue was US\$1,225mn (+17% YoY & +26% QoQ), representing around 9% of its total revenue. Thanks to this strong revenue performance, the business has reduced its losses and recorded a US\$56mn operating loss before tax, excluding non-cash M&A-related accounting charges, narrowing from its US\$100mn loss the previous quarter.



Lenovo is trying to retarget its products and accelerate developments in the high performance computing (HPC) segment. We believe it still has a long way to go, as:

- ▶ **Lenovo's traditional products still lack attractive pricing and competitiveness compared to those of other domestic vendors**, which will limit its shipment growth because traditional products contribute >80% of DCG's revenue.
- ▶ **Cloud services are rapidly increasing their penetration and further impacting the service market**. Although Lenovo is trying to cooperate with cloud service vendors, it's still at an early stage and seems as if cloud service vendors have stronger bargaining power.

Thus, Lenovo's dilemma remains: maintaining high price will cause its market share to shrink further, but reducing prices will put more pressure on margins.

Financial risks significantly raise investment risks

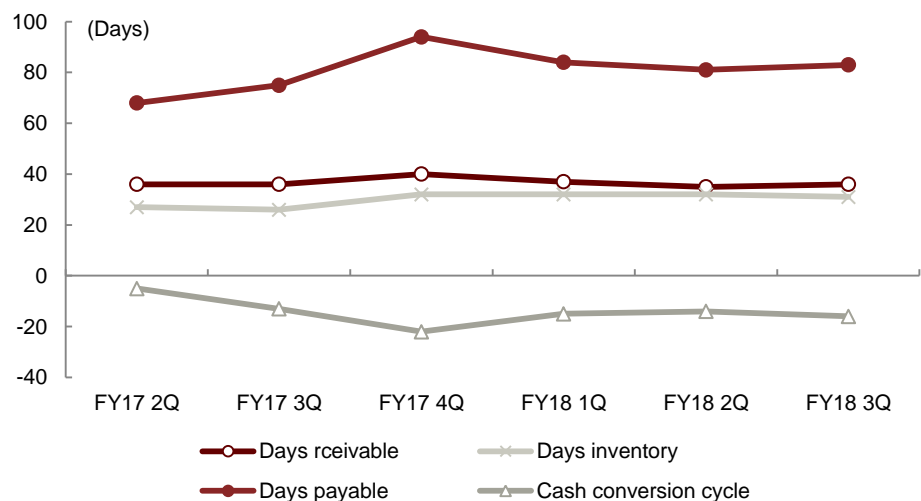
As of 3QFY18, Lenovo had total debts of US\$2.67bn, weighing it down with heavy financial costs. The company also issued a US\$850mn perpetual bond in March 2017, taking its financial expenditure to US\$13mn per quarter. Thus, **we revise down our FY18/FY19e earnings forecasts**.

Figure 8: Lenovo's debts, as of 3QFY18

(US\$ mn)	Amount
Current liabilities	
Short-term loans	57
Non-current liabilities	
Term loan	12
Long term notes	2,606
Total debt	2,674
Deferred considerations to NEC	25

Source: Company data, CICC research.

Figure 9: Lenovo's cash cycle



Source: Company data, CICC research.

High leverage ratio and huge intangible assets: Lenovo's leverage ratio (total liabilities/total equity) has climbed to 5.7, a very significantly high level for a manufacturing company. Meanwhile, Lenovo has huge intangible assets on balance, which are mainly goodwill generated from M&A. As of 3QFY18, Lenovo has US\$8.4bn of intangible assets, 29% of its total assets, which face huge risks of impairment losses.



Figure 10: Financial highlights

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY	QoQ
	(US\$ mn)	(US\$ mn)	(US\$ mn)	(US\$ mn)	(US\$ mn)	(US\$ mn)	(US\$ mn)		
Revenue	10,056	11,231	12,169	9,579	10,012	11,761	12,939	6%	10%
Gross profit	1,534	1,607	1,595	1,368	1,365	1,613	1,751	10%	9%
Operating expenses	-1,289	-1,392	-1,457	-1,295	-1,371	-1,525	-1,547	6%	1%
Operating (loss)/profit	245	215	138	74	-6	88	204	48%	132%
Other non-operating expenses - net	-40	-48	-37	-59	-63	-53	-54	48%	2%
(Loss)/profit before taxation	206	168	101	15	-69	35	150	48%	329%
(Loss)/profit for the period	168	152	107	104	-54	153	-275	n.a	n.a
Net profit attributable to shareholders	173	157	98	109	-72	139	-289	n.a	n.a
Adjusted net profit	119	151	171	183	2	207	-227	n.a	n.a
Gross profit margin	15.3%	14.3%	13.1%	14.3%	13.6%	13.7%	13.5%	0.4 ppt	-0.2 ppt
Operating margin	2.4%	1.9%	1.1%	0.8%	-0.1%	0.7%	1.6%	0.4 ppt	0.8 ppt
Net margin	1.2%	1.3%	1.4%	1.9%	0.0%	1.8%	-1.8%	-3.2 ppt	-3.5 ppt

Source: Company data, CICC Research

Figure 11: Earnings revision

(in US\$ mn)	Before		After		+/-	
	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Revenue	44,304	43,705	44,565	45,868	0.59%	4.95%
PC	31,038	31,038	31,640	33,222	1.94%	7.03%
Mobile	8,170	7,761	7,438	6,694	-8.96%	-13.75%
Enterprise	3,794	3,604	4,186	4,521	10.34%	25.44%
Others	1,301	1,301	1,301	1,431	0.00%	10.00%
Adjusted Profit before tax	477	431	409	483	-14.24%	12.14%
Net income	148	109	-78	100	-152.70%	-8.59%
Adjusted Net income	448	409	202	400	-54.83%	-2.29%
Adjusted diluted EPS (US\$)	0.04	0.04	0.02	0.03	-56.42%	-10.40%
Adjusted diluted EPS (HK\$)	0.32	0.29	0.14	0.26	-56.42%	-10.40%

Source: Company data, CICC Research

We revise our FY18/FY19 earnings forecasts, raising revenue by 0.6%/5.0% to US\$44.6bn/45.9bn and trimming adjusted net profit by 55%/2.3% to US\$202mn/400mn, implying EPS of HK\$0.14/0.26. We revise down our profit forecasts mainly due to downward pressure on operational margins and rising financial costs related to perpetual bonds.

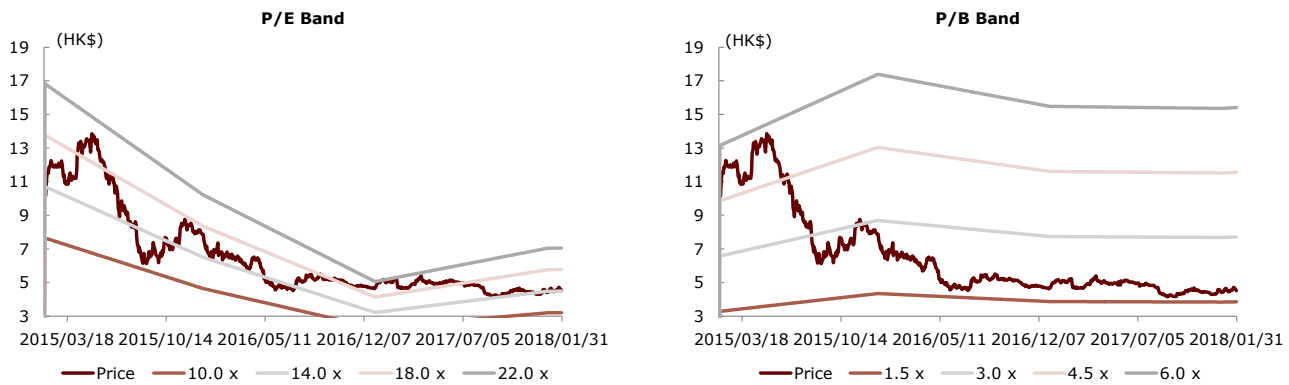
Figure 12: Comparable valuations

Company	Ticker	Stock Currency	Stock Price (2018-02-01)	Market Cap (US\$mn)	P/E			P/B		
					16A	17A/E	18E	16A	17A/E	18E
Lenovo (reported)	992-HK	HKD	4.39	6,928	N.M.	11.6	N.M.	2.1	1.5	1.8
Lenovo (adjusted)	992-HK	HKD	4.39	6,928	5.5	9.5	31.4	2.1	1.5	1.8
HP	HPQ-US	USD	23.32	38,367	14.1	12.9	12.3	n.a	n.a	n.a
IBM	IBM-US	USD	163.70	151,552	11.9	11.8	11.5	8.6	7.2	7.2
Apple	AAPL-US	USD	167.43	851,726	18.2	14.7	13.5	6.5	5.6	5.6
Acer	2353-TW	TWD	27.65	2,874	n.a	34.6	27.7	1.5	1.5	1.5
Asus	2357-TW	TWD	281.00	7,161	10.9	13.8	12.9	1.2	1.2	1.2
HTC	2498-TW	TWD	71.00	2,000	n.a	n.a	n.a	1.1	1.3	1.3
Toshiba	6502-JP	JPY	311.00	18,572	n.a	n.a	8.4	n.a	3.5	3.5
Sony	6758-JP	JPY	5,209.00	60,346	89.7	16.7	15.7	2.6	2.2	2.2
Samsung	005930-KR	KRW	2,495,000.00	319,498	8.2	7.0	6.7	1.6	1.3	1.3

Source: Company data, Factset, CICC Research. Note: all companies use market consensus except Lenovo.



Figure 13: Historical P/E and P/B bands



Source: Company data, Factset, CICC Research.

Figure 14: Historical and forecasted financials

(in US\$ mn)	FY16A	FY17A	FY18 1QA	FY18 2QA	FY18 3QA	FY18 4QE	FY18E	FY19E
Revenue	44,912.1	43,034.7	10,012.2	11,760.9	12,938.5	9,853.6	44,565.2	45,868.4
PC	29,646.3	30,076.0	7,005.4	8,381.7	9,250.5	7,002.3	31,639.9	33,221.9
Mobile	9,779.3	7,707.4	1,746.4	2,076.1	2,076.1	1,539.0	7,437.7	6,693.9
Enterprise	4,553.4	4,068.5	970.6	975.9	1,225.1	1,014.9	4,186.5	4,521.4
Others	933.1	1,182.8	289.8	327.1	386.8	297.3	1,301.1	1,431.2
Cost of sales	(38,288.2)	(36,929.2)	(8,647.6)	(10,148.4)	(11,187.5)	(8,476.3)	(38,459.8)	(39,538.6)
Gross profit	6,623.9	6,105.5	1,364.6	1,612.5	1,751.0	1,377.3	6,105.4	6,329.8
Gross margin	14.7%	14.2%	13.6%	13.7%	13.5%	14.0%	13.7%	13.8%
Growth(YoY)	-0.9%	-7.8%	-11.1%	0.3%	9.8%	0.6%	0.0%	3.7%
SG&A	(6,687.9)	(5,444.1)	(1,370.7)	(1,524.9)	(1,546.9)	(1,319.8)	(5,762.3)	(5,917.0)
S&GA%	14.9%	12.7%	13.7%	13.0%	12.0%	13.4%	12.9%	12.9%
Growth rate	20.0%	-18.6%	6.3%	8.6%	6.2%	1.9%	5.8%	2.7%
Administrative expenses	(2,108.7)	(1,852.0)	(460.5)	(387.3)	(453.0)	(392.7)	(1,693.5)	(1,743.0)
As % of sales	4.7%	4.3%	4.6%	3.3%	3.5%	4.0%	3.8%	3.8%
Growth(YoY)	12.0%	-12.2%	0.4%	-11.6%	1.6%	-22.9%	-8.6%	2.9%
Selling and marketing expenses	(2,372.8)	(2,680.6)	(665.0)	(795.6)	(741.0)	(628.2)	(2,829.9)	(2,843.8)
As % of sales	5.3%	6.2%	6.6%	6.8%	5.7%	6.4%	6.4%	6.2%
Growth(YoY)	3.1%	13.0%	12.9%	12.6%	2.0%	-4.6%	5.6%	0.5%
Research and development expenses	(1,491.4)	(1,361.7)	(291.6)	(310.9)	(344.4)	(345.5)	(1,292.4)	(1,330.2)
As % of sales	3.3%	3.2%	2.9%	2.6%	2.7%	3.5%	2.9%	2.9%
Growth(YoY)	22.2%	-8.7%	-18.0%	-10.9%	8.2%	2.0%	-5.1%	2.9%
Other operating expense	(715.0)	450.3	46.4	(31.0)	(8.5)	46.6	53.5	0.0
As % of sales	1.6%	-1.0%	-0.5%	0.3%	0.1%	-0.5%	-0.1%	0.0%
Growth rate	324.1%	-163.0%	-59.3%	-134.3%	-124.6%	-78.0%	-88.1%	n.a
Other income	2.2	10.9	0.0	0.0	0.3	(0.3)	0.0	0.0
As % of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating profit	(61.8)	672.3	(6.1)	87.7	204.5	57.1	343.2	412.8
Operating margin	-0.1%	1.6%	-0.1%	0.7%	1.6%	0.6%	0.8%	0.9%
Growth(YoY)	-105.6%	-1187.6%	-102.5%	-59.3%	48.2%	-22.7%	-49.0%	20.3%
Finance costs	(203.9)	(203.8)	(62.9)	(51.1)	(52.9)	(47.1)	(213.9)	(229.3)
As % of sales	0.5%	0.5%	0.6%	0.4%	0.4%	0.5%	0.5%	0.5%
Growth(YoY)	31.9%	-0.1%	27.4%	1.6%	12.7%	-17.8%	4.9%	7.2%
Shares of associated companies	(11.1)	21.4	(0.3)	(1.3)	(1.3)	2.9	0.0	0.0
Profit before taxation	(276.9)	489.9	(69.3)	35.3	150.3	12.9	129.2	183.5
Margin	-0.6%	1.1%	-0.7%	0.3%	1.2%	0.1%	0.3%	0.4%
Growth(YoY)	-128.5%	-277.0%	-133.7%	-78.9%	48.3%	-15.2%	-73.6%	42.0%
Amortization of acquired intangible assets	330.0	298.0	74.0	67.7	62.0	76.3	280.0	300.0
Adjusted PTI	976.1	611.2	4.7	103.0	212.3	89.2	409.2	483.5
Margin	2.2%	1.4%	0.0%	0.9%	1.6%	0.9%	0.9%	1.1%
Growth(YoY)	-14.3%	-37.4%	-96.9%	-36.3%	21.8%	0.1%	-33.0%	18.1%
Income tax (expense) benefit	132.3	40.5	15.4	117.8	(424.8)	136.5	(155.1)	(27.5)
Effective tax rate	47.8%	-8.3%	22.2%	-333.3%	282.7%	-1060.1%	120.0%	15.0%
Net Income	(144.6)	530.4	(53.9)	153.2	(274.5)	149.4	(25.8)	156.0
Net margin	-0.3%	1.2%	-0.5%	1.3%	-2.1%	1.5%	-0.1%	0.3%
Growth(YoY)	-117.3%	-466.9%	-132.1%	0.8%	-356.4%	44.0%	-104.9%	-703.3%
Net profit contributed to shareholders	(128.1)	535.1	(72.3)	139.0	(288.8)	144.2	(77.8)	99.8
Net margin	-0.3%	1.2%	-0.7%	1.2%	-2.2%	1.5%	-0.2%	0.2%
Growth(YoY)	-115.5%	-517.6%	-141.8%	-11.3%	-393.4%	32.6%	-114.5%	-228.3%
Adjusted net profit	1,124.9	656.4	1.7	206.7	(226.8)	220.6	202.2	399.8
Net margin	2.5%	1.5%	0.0%	1.8%	-1.8%	2.2%	0.5%	0.9%
Growth(YoY)	12.9%	-41.6%	-98.6%	37.0%	-232.3%	20.7%	-69.2%	97.7%
Basic weighted shares (mn)	11,086.4	11,009.3	10,951.2	11,017.5	11,420.6	11,420.6	11,420.6	12,014.8
Diluted weighted shares (mn)	11,086.4	11,020.6	10,951.2	11,017.5	11,420.6	11,420.6	11,420.6	12,014.8
EPS (Basic) USD	(0.01)	0.05	(0.01)	0.01	(0.03)	0.01	(0.01)	0.01
Growth%	-114.9%	-520.5%	-142.2%	-11.3%	-382.5%	27.9%	-114.0%	-222.0%
EPS (Diluted) USD	(0.01)	0.05	(0.01)	0.01	(0.03)	0.01	(0.01)	0.01
Growth%	-115.5%	-520.1%	-142.2%	-11.1%	-382.5%	28.0%	-114.0%	-222.0%
Adjusted EPS (Basic) HKD	0.79	0.47	0.00	0.15	(0.15)	0.15	0.14	0.26
Growth%	8.7%	-41.2%	-98.5%	37.1%	-227.4%	16.4%	-70.3%	88.0%
Adjusted EPS (Diluted) HKD	0.79	0.46	0.00	0.15	(0.15)	0.15	0.14	0.26
Growth%	13.0%	-41.3%	-98.5%	37.4%	-227.4%	16.5%	-70.3%	88.0%

Source: Company data, CICC Research



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Editing: Dom FITZSIMMONS



Beijing

China International Capital Corporation Limited

28th Floor, China World Office 2
1 Jianguomenwai Avenue
Beijing 100004, P.R. China
Tel: (86-10) 6505-1166
Fax: (86-10) 6505-1156

Shenzhen

China International Capital Corporation Limited – Shenzhen Branch

#2503, 25th Floor, China Merchants Bank Tower
7088 Shennan Boulevard, Futian District
Shenzhen 518040, P.R. China
Tel: (86-755) 8319-5000
Fax: (86-755) 8319-9229

Shanghai

China International Capital Corporation Limited – Shanghai Branch

32nd Floor Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, P.R. China
Tel: (86-21) 5879-6226
Fax: (86-21) 5888-8976

Singapore

China International Capital Corporation (Singapore) Pte. Limited

#39-04, 6 Battery Road
Singapore 049909
Tel: (65) 6572-1999
Fax: (65) 6327-1278

Hong Kong

China International Capital Corporation (Hong Kong) Limited

29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong
Tel: (852) 2872-2000
Fax: (852) 2872-2100

United Kingdom

China International Capital Corporation (UK) Limited

Level 25, 125 Old Broad Street
London EC2N 1AR, United Kingdom
Tel: (44-20) 7367-5718
Fax: (44-20) 7367-5719

Beijing Jianguomenwai Avenue Branch

1st Floor, Capital Tower
6A Jianguomenwai Avenue
Beijing 100022, P.R. China
Tel: (86-10) 8567-9238
Fax: (86-10) 8567-9235

Shanghai Huangpu District Hubin Road Branch

18th Floor, 3 Corporate Avenue, No.168
Hubin Road, Huangpu District,
Shanghai 200021, P.R. China
Tel: (86-21) 6386-1195
Fax: (86-21) 6386-1180

Nanjing Hanzhong Road Branch

Section C, 30th Floor, Asia Pacific Tower
2 Hanzhong Road, Gulou District
Nanjing 210005, P.R. China
Tel: (86-25) 8316-8988
Fax: (86-25) 8316-8397

Xiamen Lianyue Road Branch

4th Floor, Office Building, Paragon Center
1 Lianyue Road, Siming District
Xiamen 361012, P.R. China
Tel: (86-592) 515-7000
Fax: (86-592) 511-5527

Chongqing Honghu Road (West) Branch

1st & 10th Floors, Ourui Lanjue Center
Block 9, Honghu Road (W), New North District
Chongqing 401120, P.R. China
Tel: (86-23) 6307-7088
Fax: (86-23) 6739-6636

Foshan Jihua 5th Road Branch

12th Floor, Trend International Business Building
2 Jihua 5th Road, Chancheng District
Foshan 528000, P.R. China
Tel: (86-757) 8290-3588
Fax: (86-757) 8303-6299

Ningbo Yangfan Road Branch

11th Floor, Building Five, 999 Yangfan Road
Hi-tech Industrial Development Zone
Ningbo 315103, P.R. China
Tel: (86-574) 8907-7288
Fax: (86-574) 8907-7328

Beijing Kexueyuan South Road Branch

Room 1311, Block B, Raycom Infotech Park
2 Kexueyuan South Road, Haidian District
Beijing 100022, P.R. China
Tel: (86-10) 8286-1086
Fax: (86-10) 8286 1106

Shenzhen Fuhuayilu Branch

Room 201, Annex Building
Shenzhen Duty Free Commercial Tower
6 Fuhua 1st Road, Futian District
Shenzhen 518048, P.R. China
Tel: (86-755) 8832-2388
Fax: (86-755) 8254-8243

Guangzhou Tianhe Road Branch

40th Floor, Teemtower
208 Tianhe Road
Guangzhou 510620, P.R. China
Tel: (86-20) 8396-3968
Fax: (86-20) 8516-8198

Wuhan Zhongnan Road Branch

4301-B, Poly Plaza
99 Zhongnan Road, Wuchang District
Wuhan 430070, P.R. China
Tel: (86-27) 8334-3099
Fax: (86-27) 8359-0535

Tianjin Nanjing Road Branch

10th Floor, Tianjin Global Trading Center
219 Nanjing Road, Heping District
Tianjin 300051, P.R. China
Tel: (86-22) 2317-6188
Fax: (86-22) 2321-5079

Yunfu Xinxing Dongdi North Road Branch

2nd Floor, Service Building C1, Wens Science &
Technology Garden, Dongdi North Road
Xincheng Town, Xinxing County
Yunfu 527499, P.R. China
Tel: (86-766) 2985-088
Fax: (86-766) 2985-018

Fuzhou Wusi Road Branch

38th Floor, Henglicheng Office Building
No.128 Wusi Road, Gulou District
Fuzhou 350001, P.R. China
Tel: (86-591) 8625 3088
Fax: (86-591) 8625 3050

Shanghai Pudong New District Century Avenue Branch

Unit 4609-14, 46th Floor, Phase II Shanghai IFC, No.8
Century Avenue, China (Shanghai) Pilot Free Trade
Zone, Shanghai, 200120, P.R. China
Tel: (86-21) 5359-9800
Fax: (86-21) 2057-9488

Hangzhou Jiaogong Road Branch

1st Floor, Euro American Center
18 Jiaogong Road
Hangzhou 310012, P.R. China
Tel: (86-571) 8849-8000
Fax: (86-571) 8735-7743

Chengdu Binjiang Road (East) Branch

1st & 16th Floors, Shangri-La Center
Block 9B, Binjiang Road (East)
Chengdu 610021, P.R. China
Tel: (86-28) 8612-8188
Fax: (86-28) 8444-7010

Qingdao Middle Hongkong Road Branch

11th Floor, Shangri-La Center
Block 9, Hongkong Road (M), South District
Qingdao 266071, P.R. China
Tel: (86-532) 6670-6789
Fax: (86-532) 6887-7018

Dalian Gangxing Road Branch

16th Floor, Wanda Center
6 Gangxing Road, Zhongshan District
Dalian 116001, P.R. China
Tel: (86-411) 8237-2388
Fax: (86-411) 8814-2933

Changsha Chezhan Road (North) Branch

3rd Floor, Annex Building, Securities Tower
459 Chezhan Road (North), Furong District
Changsha 410001, P.R. China
Tel: (86-731) 8878-7088
Fax: (86-731) 8446-2455

Xi'an Yanta Branch

21th Floor, Capitaland West Tower,
No.64 Second Ring South Road West Section
Yanta District, Xi'an 710065, P.R. China
Tel: (+86-29) 8648-6888
Fax: (+86-29) 8648-6868

