

长飞光纤光缆 [6869.HK]

前景仍正面；评级维持买入

商务部昨天公布了对进口光纤预制棒进行反倾销调查的结果：反倾销税将再延长五年。对于市场持续投资于电信基础设施，长飞光纤光缆（长飞）等中国领先的光纤预制棒供应商仍将是主要受益者。长飞的A股IPO预计将很快完成，公司以每股26.7元人民币的招股价发行7,580万股A股。尽管贸易战的报道引发了市场担忧，但考虑到市场环境正面，我们仍相信长飞将在2018年和2019年继续实现稳健的收入和净利润增长。我们仍然认为，拥有综合商业模式的领先企业如长飞，可望受益于中国光纤预制棒和光纤的紧张供应。虽然长飞在全球市场处于领先地位，但仍较同业折让。鉴于公司在中国市场的领先地位，我们预计估值差距将收窄。发行A股将有助于收窄长飞与其A股同业之间的估值差距。我们仍认为，公司是国家和全球电信行业最新发展趋势的受益者之一。我们维持买入评级，最新目标价为42.43港元，基于17倍2018年市盈率。该下调是由于计及已发行股份数量增加的影响。

投资亮点

- **反倾销税延长5年。** 商务部昨天发布有关其进口光纤预制棒反倾销调查的结果，反倾销税将延长5年。延期原因是商务部认为外国预制棒制造商将对中国倾销其产品的风险确实存在。对来自日本供应商的预制棒征收的反倾销税税率介乎8至9%，而对美国供应商征收的反倾销税税率则介乎17至42%。对美国进口预制棒征收的反倾销税增加是因为美国大部分预制棒产能均用于出口，而中国政府担心美国生产商可能会因此于中国倾销其产品。长飞光纤光缆等中国领先企业预期将为反倾销税延期的最大受益者。
- **下游需求依然稳固。** 长飞光纤光缆于2018年7月2日就其A股IPO公布2018年上半年盈利指引。长飞光纤光缆预计，于2018年上半年，营业额将同比上升15至27%，而净利润则将增加31至45%。长飞光纤光缆的2018年上半年盈利指引指出，公司的营商环境依然正面。该指引除了符合我们对2018年营业额同比上升17%和净利润同比增加32%的全年预期外，也符合管理层于较早前作出的指引，即是认为鉴于电信运营商持续进行投资和政府政策利好，2018年光缆市场需求很可能保持稳定。由于预计中国将启动5G投资，长飞光纤光缆管理层看好中国光纤市场的需求，料这将为长飞光纤光缆（少数能够为400G传输网络生产光纤产品的公司之一）等领先光纤供应商带来新的增长动力。中国电信运营商将网络由100G升级到400G对长飞光纤光缆十分有利。
- **A股IPO进展顺利。** 长飞光纤光缆的A股IPO预期将于不久后完成；公司将发行75.8百万股A股，IPO价格为每股26.7元人民币。公司IPO将有助于收窄长飞光纤光缆与其A股上市同业之间的估值差距。

主要财务指标 (百万人民币)	2015	2016	2017	2018E	2019E
收入	6,731.1	8,111.5	10,366.1	12,138.2	13,645.7
变动 (同比%)	18.6	20.5	27.8	17.1	12.4
毛利润	1,304.2	1,645.0	2,725.5	3,170.1	3,553.0
毛利润率	19.4	20.3	26.3	26.1	26.0
净利润	570.7	717.1	1,268.4	1,679.8	1,869.0
净利润率	8.5	8.8	12.2	13.8	13.7
每股收益	1.19	1.47	1.98	2.46	2.47
变动 (同比%)	22.4	23.3	34.9	24.5	0.1
每股派息	\$0.174	\$0.255	\$0.000	\$0.443	\$0.493
净资产收益率 (%)	17.9	18.5	27.0	24.3	20.0
股息收益率 (%)	0.64	0.94	-	1.64	1.83
市盈率 (倍)	22.7	18.4	13.6	11.0	10.9
市净率 (倍)	3.6	4.1	3.5	2.1	2.0
自由现金流收益率 (%)	3.38%	6.92%	8.09%	4.02%	4.38%
资本开支 (百万)	(112.4)	(278.5)	(161.5)	(920.0)	(1,058.0)
每股自由现金流	1.0	2.1	2.5	1.2	1.3
净负债比率 (%)	11.5	3.3	-	-	-

来源: 公司, 中国银河国际证券研究部

TMT行业

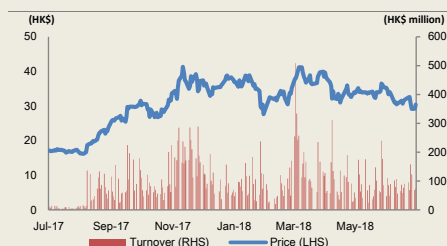
硬件

买入

收盘价: 30.4港元 (2018年7月10日)

目标价: 42.43港元 (+39.6%)

股价表现



来源: 彭博

市值	26.42亿美元
已发行股数	7.579亿股
核数师	KPMG
自由流通量	32.7%
52周交易区间	15.80-42.20港元
三个月日均成交量	890万美元
主要股东	Draka (23.7%) 中国国新控股有限责任公司 (23.7%)

来源: 彭博, 公司

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YOFC [6869.HK]

Outlook remains positive. Maintain BUY.

MOFCOM released the results of the anti-dumping investigation on imported optical fibre preform yesterday; the anti-dumping duties will be extended for another five years. China's leading optical fibre preform suppliers, including Yangtze Optical Fibre & Cable Joint Stock Limited Company (YOFC), will remain the major beneficiaries of the continuous investment in telecommunications infrastructure. YOFC's A-share IPO is expected to be completed soon, as the Company will issue 75.8m A-shares at an IPO price of RMB26.7 per share. Despite concerns triggered by news flow on the trade war, we still expect YOFC to continue to report solid top- and bottom-line growth in 2018 and 2019, given the favourable market environment. We maintain the view that leading players with an integrated business model, such as YOFC, should benefit from the tight supply of optical fibre preform and optical fibre in China. YOFC is still trading at a discount to its peers despite its leading global position. We expect the valuation gap to narrow, given the Company's leading position in the global market. The issuance of issue A-shares will help to narrow the valuation gap between YOFC and its A-share-listed peers. We maintain the view that the Company is one of the beneficiaries of the latest developments in the national and global telecommunications industry. We maintain our BUY rating with a new target price of HK\$42.43, based on 17x 2018E PER. The downward revision is due to an adjustment for the increase in number of shares outstanding.

Investment Highlights

- Anti-dumping duties extended for five years.** MOFCOM published the results of its anti-dumping investigation on imported optical fibre preform yesterday; the anti-dumping duties will be extended for five years. The reason for the extension is that in MOFCOM's view, there is the risk that foreign preform makers will dump their products in China. The anti-dumping duties on preform from Japanese suppliers range from 8 to 9% and from US suppliers range from 17% to 42%. The higher anti-dumping duties on imports from the US are because a major portion of US preform capacity is for export, and the Chinese government is concerned that US producers may dump their products in China. The leading players in China, including YOFC, are expected to be the major beneficiaries of the extension in anti-dumping duties.
- Downstream demand remains solid.** YOFC released guidance for 1H 2018 regarding its A-share IPO on 2 Jul 2018. YOFC forecasts that turnover will be up 15-27% YoY and that net profit will be up 31-45% in 1H 2018. YOFC's 1H 2018 guidance suggests that the operating environment for the Company remains favourable. This guidance is also in line with our full-year expectation of a 17% YoY increase in turnover and 32% YoY increase in net profit in 2018. It is also in line with management's earlier guidance that market demand for optical fibre cable is likely to remain solid in 2018, given the continuous investment by telecom operators and favourable government policy. Since 5G investment is expected to kick off in China, YOFC management is positive on the demand for optical fibre in China, which will create new growth areas for leading optical fibre suppliers, including YOFC, which is one of the few companies capable of producing optical fibre products for the 400G transmission network. The network upgrading of Chinese telecom operators from 100G to 400G is very positive for YOFC.
- A-share IPO is on track.** YOFC's A-share IPO is expected to be completed soon; the Company will issue 75.8m A-shares at an IPO price of RMB26.7 per share. The Company's IPO will help to narrow the valuation gap between the YOFC and its A-share-listed peers.

Key Financials (in RMBm)	2015	2016	2017	2018E	2019E
Revenue	6,731.1	8,111.5	10,366.1	12,138.2	13,645.7
Change (YoY %)	18.6	20.5	27.8	17.1	12.4
Gross Profit	1,304.2	1,645.0	2,725.5	3,170.1	3,553.0
Gross Margin %	19.4	20.3	26.3	26.1	26.0
Net Profit	570.7	717.1	1,268.4	1,679.8	1,869.0
Net Margin %	8.5	8.8	12.2	13.8	13.7
EPS (Basic)	1.19	1.47	1.98	2.46	2.47
Change (YoY %)	22.4	23.3	34.9	24.5	0.1
DPS	\$0.174	\$0.255	\$0.000	\$0.443	\$0.493
ROE (%)	17.9	18.5	27.0	24.3	20.0
Dividend Yield (%)	0.64	0.94	-	1.64	1.83
PER (x)	22.7	18.4	13.6	11.0	10.9
PBR (x)	3.6	4.1	3.5	2.1	2.0
FCF Yield (%)	3.38%	6.92%	8.09%	4.02%	4.38%
Capex (m)	(112.4)	(278.5)	(161.5)	(920.0)	(1,058.0)
Free cash flow per share	1.0	2.1	2.5	1.2	1.3
Net Gearing (%)	11.5	3.3	-	-	-

TMT Sector

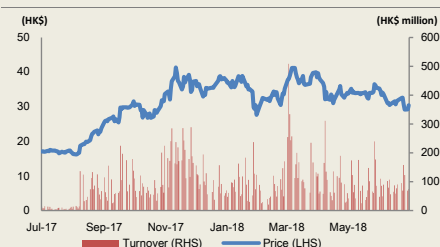
Hardware

BUY

Close: HK\$30.4 (Jul 10, 2018)

TP: HK\$42.43 (+39.6%)

Share Price Performance



Source: Bloomberg.

Market Cap	US\$2,642m
Shares Outstanding	757.9m
Auditor	KPMG
Free Float	32.7%
52W range	HK\$15.80-42.20
3M average daily T/O	US\$8.9m
Major Shareholding	Draka (23.7%) China Huaxin (23.7%)

Source: Bloomberg, Company data

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Figure 1: Key assumptions for YOFC

	2013	2014	2015	2016	2017	2018F	2019F
Turnover (RMBm)							
Optical fibre preforms and fibres	2,722.7	3,229.7	3,756.6	4,073.1	4,702.9	5,333.1	5,790.3
Optical fibre cables	1,817.6	1,989.4	2,643.3	3,580.7	5,034.9	6,079.6	7,013.5
Other products and services	285.6	457.7	331.4	298.4	485.7	582.8	699.4
Total	4,825.9	5,676.8	6,731.2	7,952.2	10,223.5	11,995.6	13,503.1
YoY Change (%)							
Optical fibre preforms and fibres		18.6	16.3	8.4	15.5	13.4	8.6
Optical fibre cables		9.5	32.9	35.5	40.6	20.8	15.4
Other products and services				(9.9)	62.7	20.0	20.0
Total		17.6	18.6	18.1	28.6	17.3	12.6
Gross margin (%)							
Optical fibre preforms and fibres	21.1	19.2	19.4	20.3	26.3	26.1	26.0
Optical fibre cables	27.3	25.3	26.0	27.6	36.7	36.7	36.8
Optical fibre cables	11.7	9.1	8.5	10.0	16.0	16.0	16.0
Other products and services	21.4	19.4	30.8	53.7	40.5	41.5	42.6
Net margin (%)	8.6	8.2	8.5	8.8	12.2	13.8	13.7
ASP							
Optical fibre preforms (RMB/tonne)	1,012.0	931.8	931.8	969.1	1,125.9	1,215.9	1,276.7
Optical fibres (RMB/fkm)	59.0	55.0	57.7	59.8	59.8	64.6	66.5
Optical fibre cables (RMB/fkm)	113.8	112.3	106.6	115.5	136.3	143.1	147.4
YoY Change (%)							
ASP							
Optical fibre preforms		(7.9)	0	4.0	16.2	8.0	5.0
Optical fibres		(6.7)	5.0	3.5	0	8.0	3.0
Optical fibre cables		(1.3)	(5.1)	8.4	18.0	5.0	3.0
Volume							
Optical fibre preforms (tonne)	964.0	1,289.6	1,547.5	1,655.8	1,655.8	1,738.6	1,860.3
Optical fibres (fkm)	29,628.0	36,874.0	40,080.2	41,282.6	47,475.0	49,848.7	51,344.2
Optical fibre cables (fkm)	15,975.0	17,717.0	24,803.8	31,004.8	36,945.7	42,487.6	47,586.1
YoY Change (%)							
Volume							
Optical fibre preforms		33.8	20.0	7.0	0	5.0	7.0
Optical fibres		24.5	8.7	3.0	15.0	5.0	3.0
Optical fibre cables		10.9	40.0	25.0	19.2	15.0	12.0
Cost (HKDm)							
S,G&A	(548.6)	(565.4)	(714.4)	(861.7)	(1,273.0)	(1,429.9)	(1,607.5)
Financial Expenses	(68.0)	(78.0)	(81.3)	(99.2)	(156.4)	(112.2)	(78.2)
YoY Change (%)							
S,G&A							
Financial Expenses		3.1	26.4	20.6	47.7	12.3	12.4
Financial Expenses		14.8	4.2	22.1	57.6	(28.2)	(30.3)
CAPEX (RMBm)	n.a.	n.a.	112.4	278.5	161.5	920.0	1,058.0
Net Gearing (%)	47.4	16.8	11.5	3.3			

Source: Company, CGIS Research

Figure 2: Earnings projection

Income Statement (RMBm)						Cash Flow Statement (RMBm)					
	FY2015	FY2016	FY2017	FY2018F	FY2019F		FY2015	FY2016	FY2017	FY2018F	FY2019F
Revenue	6,731	8,111	10,366	12,138	13,646	Net Income	677	792	1,465	1,754	1,959
Growth yoy%	18.6%	20.5%	27.8%	17.1%	12.4%	Depreciation & Amort.	116	133	173	235	305
Gross Profit	1,304	1,645	2,725	3,170	3,553	Change in Working Capital	(188)	383	99	(234)	(198)
Growth yoy%	19.9%	26.1%	65.7%	16.3%	12.1%	Cash from Ops.	605	1,307	1,738	1,754	2,067
Selling General & Admin Exp.	(714)	(862)	(1,273)	(1,430)	(1,607)	Capital Expenditure	(112)	(278)	(161)	(920)	(1,058)
Others Operating Expenses/Items	76	(35)	(118)	38	43	Sale of Property, Plant, and Equipment	-	-	-	-	-
Operating Income	666	748	1,334	1,779	1,988	Change in Investing Activities	(421)	(1,107)	(381)	(422)	(1)
Growth yoy%	n.a.	12.4%	78.3%	33.3%	11.8%	Cash from Investing	(533)	(1,385)	(542)	(1,342)	(1,059)
Interest Expense	(156.4)	(112.2)	(78.2)	(85.0)	(90.9)	Net increase in bank borrowings	(134)	(776)	(774)	87	74
Interest and Invest. Income	42.5	52.0	31.5	18.2	20.1	Issuance of Common Stock	235	0	0	2,024	0
Income/(Loss) from Affiliates	80.0	105.0	159.1	175.0	183.8	Common Dividends Paid	(106)	(119)	(233)	0	(336)
Other Non-Operating Inc. (Exp.)	0	0	0	0	0	Special Dividend Paid	-	-	-	-	-
Impairment of Goodwill	-	-	-	-	-	Other Financing Activities	(56)	522	(12)	(227)	(249)
Gain (Loss) On Sale Of Invest.	-	-	-	-	-	Cash from Financing	(62)	(373)	(1,019)	1,885	(511)
Gain (Loss) On Sale Of Assets	-	-	-	-	-	Net Change in Cash	10	(452)	176	2,297	497
Income Tax Expense	(74)	(100)	(212)	(251)	(281)						
Minority Int. in Earnings	12	23	34	44	49						
Net Income	571	717	1,268	1,680	1,869						
Growth yoy%	22.4%	25.6%	76.9%	32.4%	11.3%						

Balance Sheet (RMBm)						Ratios					
	FY2015	FY2016	FY2017	FY2018F	FY2019F		FY2015	FY2016	FY2017	FY2018F	FY2019F
ASSETS						Profitability					
Cash And Equivalents	2,047	1,628	1,800	4,097	4,594	Return on Assets %	8.1%	9.1%	14.6%	15.3%	13.6%
Receivables	2,296	2,169	2,522	2,953	3,319	Return on Capital %	11.4%	12.1%	19.5%	20.0%	17.0%
Inventory	678	693	805	943	1,060	Return on Equity %	17.9%	18.5%	27.0%	24.3%	20.0%
Other Current Assets	7	132	103	105	107	Margin Analysis					
Total Current Assets	5,028	4,622	5,229	8,097	9,080	Gross Margin %	19.4%	20.3%	26.3%	26.1%	26.0%
Net Property, Plant & Equipment	982	1,321	1,922	2,607	3,360	SG&A Margin %	10.6%	10.6%	12.3%	11.8%	11.8%
Long-term Investments	-	-	-	-	-	EBIT Margin %	10.5%	9.9%	13.2%	14.8%	14.7%
Other Intangibles	-	-	-	-	-	EBITDA Margin %	12.3%	11.5%	14.9%	16.8%	17.0%
Deferred Tax Assets, LT	-	-	-	-	-	Net Income Margin %	8.5%	8.8%	12.2%	13.8%	13.7%
Other Long-Term Assets	1,572	2,224	2,017	2,111	2,209	Asset Turnover					
Goodwill	-	-	-	-	-	Total Asset Turnover	0.9x	1.0x	1.1x	0.9x	0.9x
Accounts Receivable Long-Term	-	-	-	-	-	Fixed Asset Turnover	2.6x	2.3x	2.6x	2.6x	2.5x
Total Long Term Assets	2,554	3,545	3,939	4,718	5,569	Accounts Receivable Turnover	3.2x	3.6x	4.4x	4.4x	4.4x
Total Assets	7,583	8,166	9,168	12,815	14,649	Inventory Turnover	9.9x	11.7x	12.9x	12.9x	12.9x
LIABILITIES & EQUITY						Liquidity					
Accounts Payable	1,320	1,377	1,938	2,269	2,551	Current Ratio	1.7x	1.8x	1.8x	2.5x	2.5x
Accrued Exp.	-	-	-	-	-	Quick Ratio	1.4x	1.3x	1.2x	1.9x	1.9x
Short-term Borrowings	1,637	897	509	596	670	Avg. Days Sales Out.	124.5	97.6	88.8	88.8	88.8
Curr. Port. of LT Debt	-	-	-	-	-	Avg. Days Inventory Out.	36.8	31.2	28.4	28.4	28.4
Curr. Income Taxes Payable	-	-	-	-	-	Avg. Days Payable Out.	81.8	76.1	79.2	85.6	87.2
Unearned Revenue, Current	-	-	-	-	-	Avg. Cash Conversion Cycle	98.5	74.8	59.0	58.9	58.9
Other Current Liabilities	20	361	501	384	392	Net Debt to Equity	11%	3%	-	-	-
Total Current Liabilities	2,977	2,636	2,948	3,249	3,612	Growth Over Prior Year					
Long-Term Debt	821	870	481	481	481	Total Revenue	18.6%	20.5%	27.8%	17.1%	12.4%
Def. Tax Liability, Non-Curr.	53	88	83	92	101	Net Income	22.4%	25.6%	76.9%	32.4%	11.3%
Other Non-Current Liabilities	0	149	170	183	198	Payout Ratio %	14.6%	17.4%	0.0%	18.0%	20.0%
Total Liabilities	3,851	3,743	3,682	4,005	4,393						
Common Stock	682	682	682	758	758						
Additional Paid In Capital	-	-	-	-	-						
Retained Earnings	2,893	3,484	4,556	7,849	9,344						
Treasury Stock	-	-	-	-	-						
Comprehensive Inc. and Other	-	-	-	-	-						
Minority Interest	156.8	257.7	247.5	203.5	154.4						
Total Equity	3,732	4,424	5,486	8,810	10,256						
Total Liabilities And Equity	7,583	8,166	9,168	12,815	14,649						

Sources: Company, CGIS Research

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