

中国
增持

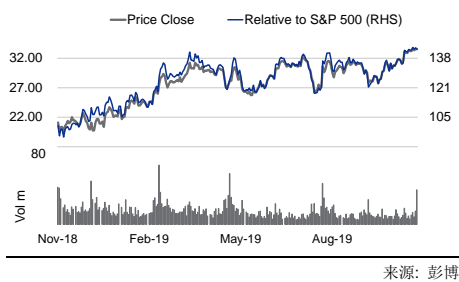
市场共识评级*: 买入 26 持有 18 沽出 1

| | |
|-------------|-------------|
| 前收盘价: | US\$33.55 |
| 目标价 | US\$41.70 |
| 此前目标价: | US\$36.10 |
| 上升/下跌空间: | 24.3% |
| CGI / 市场共识: | 14.7% |
| 路透股票代码: | JD.O |
| 彭博股票代码: | JD US |
| 市值: | US\$48,781m |
| | US\$48,781m |
| 平均每日成交额: | US\$346.6m |
| | US\$346.6m |
| 目前发行在外股数: | 82,817m |
| 自由流通量: | 50.0% |

*来源: 彭博

本报告中的主要变动

- ▶ 19 财年非 GAAP 每股盈利预测上调 35.9%
- ▶ 20 财年非 GAAP 每股盈利预测上调 27.3%
- ▶ 21 财年非 GAAP 每股盈利预测上调 26.8%



| | | | |
|-------------|-----|------|------|
| 股价表现 | 1M | 3M | 12M |
| 绝对表现 (%) | 8.2 | 11.2 | 38.6 |
| 相对表现 (%) | 4.2 | 1.8 | 24.5 |

主要股东

| | |
|---------------|------|
| | 持股比例 |
| 腾讯 | 21.3 |
| Qiangdong Liu | 20.0 |
| Walmart | 10.8 |

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京东
19 财年三季度业绩强劲 预示亮丽前景

- 19 财年三季度非 GAAP 营业利润为 29.57 亿元人民币, 远优于我们预期。
- 期内强劲的表现反映出公司在渗透到低线城市方面有良好执行力, 且控制成本得宜。
- 我们还预计京东物流将继续强劲增长。我们现时预期京东的强大运营杠杆将在 20 财年继续推动利润率上升。
- 我们将 19-21 财年的非 GAAP 每股盈利预测上调 27% - 36%。
- 维持「增持」, 最新贴现现金流目标价 41.70 美元。

19 财年三季度非 GAAP 营业利润强劲

在 19 财年三季度, 收入同比增长 28.7% 至 1,348.43 亿元人民币。虽然毛利率按年下降 0.5 个百分点至 14.9%, 但凭借强劲的经营杠杆, 非 GAAP 营业利润同比增长 363% 至 29.57 亿元人民币。这反映了京东的规模经济效益, 特别是其物流业务已接近盈亏平衡。由于收入和利润增长均比上一季度加快, 19 财年三季报超出了我们和市场共识的预测。其他运营指标也显示公司表现强劲, 例如季内的每日活跃用户同比增长 35%。

成功渗透到低线城市

低线城市在 19 财年三季度贡献了大部分增长。根据京东数据, 19 财年三季度超过 70% 的新客户来自低线城市。出乎意料的是, 与 1-2 线城市的一些消费者相比, 这些新客户也有强大的消费能力, 主要由于住房成本占收入比重不高。目前京东超过 50% 的订单来自 3-6 线城市, 这些城市也贡献了总交易金额 (GMV) 的约 50%。京东于 2019 年 10 月推出了一个名为京喜的平台, 该平台让第三方卖家销售专门针对低线城市消费者的价廉物美商品。京东在低线城市的核心竞争优势来自其京东物流, 它覆盖了中国 99% 的县和乡地区, 可在人口最多的低线城市的某些主要城镇地区提供像 1-2 线城市一样的 24 小时送货服务。因此与一些针对低线城市的其他平台相比, 京东具有很大的竞争力。

新业务也取得良好进展

京东在 2-3 年前推出的 C2M (制造商面对客户) 模型深受客户欢迎。公司超过 70% 的 IT 产品以 C2M 模式销售。这使京东可提供独特的产品, 并提供更具竞争力的价格, 以吸引更多客户。京东物流在 19 财年三季度也取得良好成绩。当前, 总体物流收入中有 40% 以上来自第三方订单, 反映了该业务的成熟度。随着京东继续扩展物流网络, 我们预计这部分的利润率将逐步提高, 并可能会在 20 财年实现营业利润。

维持增持评级: 经营杠杆推动盈利强劲增长

京东预计, 四季度的收入将同比增长 21-25%, 公司就 2019 全年给予非 GAAP 净收入指引 98 亿人民币至 105 亿人民币, 我们认为这指引颇为正面。我们将 19/20/21 财年的非 GAAP 每股盈利预测提高 36%/27%/27%, 主要是反映京东在 19 财年的强劲复苏。在双 11 购物节期间, 京东单在 11 月 11 日当天已实现了总交易额 705 亿人民币, 同比增长 30%。我们认为, 这反映京东的销售势头可持续, 并预示着经营杠杆将改善。维持「增持」评级。目标价上调至 41.70 美元 (加权平均资本成本: 13.40%), 相当于 22.6 倍 20 财年年市盈率。主要的下行风险, 包括电商公司之间的竞争加剧, 以及总体经济放缓。

| 主要财务指标 | Dec-17A | Dec-18A | Dec-19F | Dec-20F | Dec-21F |
|--------------------|---------|---------|---------|---------|---------|
| 收入 (百万人民币) | 362,332 | 462,020 | 571,422 | 672,279 | 766,930 |
| 经营 EBITDA (百万人民币) | 8,102 | 8,688 | 17,762 | 22,428 | 29,574 |
| 净利润 (百万人民币) | 4,968 | 3,460 | 11,579 | 14,324 | 19,362 |
| 每股核心盈利 (人民币) | 6.72 | 6.39 | 11.25 | 12.89 | 15.80 |
| 每股核心盈利增长 | 57.3% | (4.8%) | 75.9% | 14.6% | 22.6% |
| 全面摊薄市盈率 (倍) | 34.12 | 35.96 | 20.45 | 17.83 | 14.55 |
| 每股派息 (人民币) | - | - | - | - | - |
| 股息率 | 0% | 0% | 0% | 0% | 0% |
| EV/EBITDA (倍) | 40.68 | 38.55 | 17.94 | 13.24 | 9.07 |
| 股价/股权自由现金流 (倍) | NA | NA | 15.49 | 12.82 | 10.51 |
| 净负债权益比 | (27.8%) | (36.7%) | (60.2%) | (80.7%) | (97.4%) |
| 市净率 (倍) | 6.44 | 5.66 | 4.71 | 3.94 | 3.26 |
| 股本回报率 | 22.9% | 16.8% | 25.5% | 24.4% | 24.8% |
| 每股核心盈利预测的变动 | | | | | |
| CGI/市场共识预测每股盈利 (倍) | | | 1.18 | 1.04 | 0.99 |

来源: 中国银河国际证券研究部, 公司, 彭博

China
ADD

Consensus ratings*: Buy 26 Hold 18 Sell 1

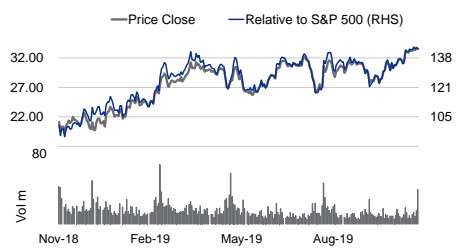
| | |
|------------------|-----------|
| Current price: | US\$33.55 |
| Target price: | US\$41.70 |
| Previous target: | US\$36.10 |
| Up/downside: | 24.3% |
| CGI / Consensus: | 14.7% |

| | |
|-------------------------|-------------|
| Reuters: | JD.O |
| Bloomberg: | JD US |
| Market cap: | US\$48,781m |
| | US\$48,781m |
| Average daily turnover: | US\$346.6m |
| | US\$346.6m |
| Current shares o/s: | 82,817m |
| Free float: | 50.0% |

*Source: Bloomberg

Key changes in this note

- FY19F non-GAAP EPS increased by 35.9%.
- FY20F non-GAAP EPS increased by 27.3%.
- FY21F non-GAAP EPS increased by 26.8%.



Source: Bloomberg

| | | | |
|--------------------------|-----------|-----------|------------|
| Price performance | 1M | 3M | 12M |
| Absolute (%) | 8.2 | 11.2 | 38.6 |
| Relative (%) | 4.2 | 1.8 | 24.5 |

| | |
|---------------------------|---------------|
| Major shareholders | % held |
| Tencent | 21.3 |
| Qiangdong Liu | 20.0 |
| Walmart | 10.8 |

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JD.com Inc

Strong 3Q19 indicative of a promising future

- 3Q19 non-GAAP operating profit of Rmb2,957m strongly beat our expectation.
- The strong performance reflected good execution to penetrate into lower-tier cities and efficient cost control.
- We also expect strong growth of JD Logistics to continue.
- We now expect JD.com's strong operating leverage to continue to drive margin expansion in FY20F. We raised our non-GAAP EPS for FY19F-21F by 27%–36%.
- Maintain ADD with updated DCF-based TP of US\$41.70

Strong 3Q19 non-GAAP operating profit on operating leverage

In 3Q19, revenue was up 28.7% yoy to Rmb134,843m. Although the GPM contracted 0.5ppt yoy to 14.9%, with strong operating leverage, non-GAAP operating profit was up 363% yoy to Rmb2,957m. This reflected JD.com's economies of scale, especially for its in-house logistics, which has achieved critical mass. The 3Q19 results exceeded both our and consensus expectations, as revenue and profit growth both accelerated qoq. Other operating metrics also indicated strong performance, such as 35% yoy growth in daily active users (DAU) during the quarter.

Successful penetration into lower-tier cities

Lower-tier cities contributed much of the growth in 3Q19. According to JD.com, more than 70% of the new customers in 3Q19 were from lower-tier cities. Surprisingly, these customers also had strong spending power compared to some consumers in Tier 1–2 cities, thanks to lower housing costs. As a result, currently more than 50% of JD.com's orders come from Tier 3–6 cities, and these cities also contribute about 50% of total GMV. In Oct 2019, JD.com introduced a platform called Jingxi, which allows third-party sellers to sell genuine goods specifically targeting consumers in lower-tier cities. The core competitive advantage JD.com has in lower-tier cities is its in-house division, JD Logistics, which covers 99% of the counties and districts in China and can provide certain major town areas in the most-populated lower-tier cities with 24-hour delivery, as in Tier 1–2 cities. This allows JD.com to be very competitive with other platforms targeting lower-tier cities.

Good progress for new business as well

JD.com's C2M (customer to manufacturer) model, introduced 2–3 years ago is well-perceived by customers. Currently, over 70% of its IT products are sold under the C2M model. This provides JD with a unique product profile and competitive pricing to attract more customers. JD Logistics also achieved good performance in 3Q19. Currently, more than 40% of the overall logistics revenue is from third-party orders, reflecting the maturity of this business segment. As JD.com will continue to expand its logistics network, we expect the margins of this part of the business to improve gradually. It may turn profitable at the operating profit level in FY20F.

Maintain ADD: strong earnings growth thanks to operating leverage

In 4Q19F, JD.com expects revenue growth of 21–25% yoy, and provided full-year FY19F non-GAAP net income guidance of Rmb9.8bn–10.5bn, which is quite positive, in our view. We raised our non-GAAP EPS forecast by 36%/27%/27% for FY19F/20F/21F, respectively, mainly to reflect JD.com's strong turnaround in FY19F. For the "Double-11" event, JD.com achieved GMV of Rmb70.5bn on 11 Nov 2019 alone, up 30% yoy. We believe this is evidence that JD.com's sales momentum can be sustained, and pave the way for improved operating leverage. Maintain ADD. Our TP is revised up to US\$41.70 (WACC:13.40%), which is equivalent to 22.6x FY20F P/E. Key downside risks include intensified competition among e-commerce companies, and a slowdown in the macro economy.

| Financial Summary | Dec-17A | Dec-18A | Dec-19F | Dec-20F | Dec-21F |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue (Rmbm) | 362,332 | 462,020 | 571,422 | 672,279 | 766,930 |
| Operating EBITDA (Rmbm) | 8,102 | 8,688 | 17,762 | 22,428 | 29,574 |
| Net Profit (Rmbm) | 4,968 | 3,460 | 11,579 | 14,324 | 19,362 |
| Core EPS (Rmb) | 6.72 | 6.39 | 11.25 | 12.89 | 15.80 |
| Core EPS Growth | 57.3% | (4.8%) | 75.9% | 14.6% | 22.6% |
| FD Core P/E (x) | 34.12 | 35.96 | 20.45 | 17.83 | 14.55 |
| DPS (Rmb) | - | - | - | - | - |
| Dividend Yield | 0% | 0% | 0% | 0% | 0% |
| EV/EBITDA (x) | 40.68 | 38.55 | 17.94 | 13.24 | 9.07 |
| P/FCFE (x) | NA | NA | 15.49 | 12.82 | 10.51 |
| Net Gearing | (27.8%) | (36.7%) | (60.2%) | (80.7%) | (97.4%) |
| P/BV (x) | 6.44 | 5.66 | 4.71 | 3.94 | 3.26 |
| ROE | 22.9% | 16.8% | 25.5% | 24.4% | 24.8% |
| % Change In Core EPS Estimates | | | 1.18 | 1.04 | 0.99 |
| CGI/consensus EPS (x) | | | | | |

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

Strong 3Q19 indicative of a promising future

Figure 1: Earnings revisions

| Rmb m | FY19F | | | FY20F | | | FY21F | | |
|------------------------------|---------|---------|----------|---------|---------|----------|---------|---------|----------|
| | Old | New | % change | Old | New | % change | Old | New | % change |
| Sales | 563,866 | 571,422 | 1.3% | 659,734 | 672,279 | 1.9% | 752,802 | 766,930 | 1.9% |
| GP margin | 15.0% | 15.0% | 0.0% | 14.8% | 15.0% | 0.2% | 15.0% | 15.2% | 0.2% |
| Operating margin (Non-GAAP) | 1.4% | 1.8% | 0.4% | 1.5% | 1.9% | 0.4% | 1.9% | 2.4% | 0.5% |
| Net income (Loss) (GAAP) | 3,053 | 6,111 | 100.1% | 5,445 | 8,519 | 56.4% | 9,220 | 13,307 | 44.3% |
| Net income (Loss) (Non-GAAP) | 8,521 | 11,579 | 35.9% | 11,251 | 14,324 | 27.3% | 15,275 | 19,362 | 26.8% |
| EPS (GAAP) (Rmb) | 1.03 | 2.06 | 100.1% | 1.78 | 2.79 | 56.4% | 2.93 | 4.23 | 44.3% |
| EPS (Non-GAAP) (Rmb) | 2.87 | 3.91 | 35.9% | 3.68 | 4.69 | 27.3% | 4.86 | 6.16 | 26.8% |

SOURCES: CGIS RESEARCH, COMPANY REPORTS

Figure 2: Quarterly results review

| (Rmb m) | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19F | FY18 | FY19F |
|-----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total revenue | 100,128 | 122,291 | 104,768 | 134,833 | 121,081 | 150,281 | 134,843 | 165,217 | 462,020 | 571,422 |
| Cost of sales | (85,970) | (105,777) | (88,659) | (115,661) | (102,897) | (128,156) | (114,729) | (140,208) | (396,066) | (485,990) |
| Gross profit | 14,158 | 16,514 | 16,110 | 19,172 | 18,184 | 22,125 | 20,114 | 25,009 | 65,954 | 85,432 |
| GPM | 14.1% | 13.5% | 15.4% | 14.2% | 15.0% | 14.7% | 14.9% | 15.1% | 14.3% | 15.0% |
| Fulfillment expenses | (7,048) | (8,060) | (7,591) | (8,724) | (8,235) | (9,830) | (9,635) | (9,450) | (31,423) | (37,150) |
| As % of revenue | 7.0% | 6.6% | 7.2% | 6.5% | 6.8% | 6.5% | 7.1% | 5.7% | 6.8% | 6.5% |
| Marketing expenses | (3,153) | (4,903) | (3,768) | (5,990) | (4,669) | (6,176) | (4,985) | (4,489) | (17,814) | (20,318) |
| As % of revenue | 3.1% | 4.0% | 3.6% | 4.4% | 3.9% | 4.1% | 3.7% | 2.7% | 3.9% | 3.6% |
| Technology and content expense | (2,213) | (2,465) | (3,077) | (3,128) | (2,852) | (3,381) | (3,371) | (3,856) | (10,883) | (13,460) |
| As % of revenue | 2.2% | 2.0% | 2.9% | 2.3% | 2.4% | 2.3% | 2.5% | 2.3% | 2.4% | 2.4% |
| General and administration expense | (673) | (746) | (814) | (803) | (796) | (917) | (1,048) | (995) | (3,036) | (3,755) |
| As % of revenue | 0.7% | 0.6% | 0.8% | 0.6% | 0.7% | 0.6% | 0.8% | 0.6% | 0.7% | 0.7% |
| Total operating expenses (non-GAAP) | (13,087) | (16,175) | (15,250) | (18,645) | (16,551) | (20,303) | (19,039) | (18,789) | (63,157) | (74,683) |
| Operating income/(loss) | 4 | (1,034) | (651) | (939) | 1,226 | 2,267 | 4,973 | (435) | (2,619) | 4,960 |
| Operating income/(loss) (non-GAAP) | 848 | 113 | 638 | 313 | 1,972 | 3,217 | 2,957 | 1,881 | 1,913 | 10,028 |
| EBIT margin (Non-GAAP) | 0.8% | 0.1% | 0.6% | 0.2% | 1.6% | 2.1% | 2.2% | 1.1% | 0.4% | 1.8% |
| Share-based compensation (SBC) | 634 | 938 | 1,051 | 1,037 | 618 | 1,021 | 1,025 | 1,362 | 3,660 | 4,026 |
| Amortisation of intangible assets | 446 | 450 | 457 | 452 | 444 | 148 | 146 | 1,104 | 1,806 | 1,842 |
| Total other income | 1,624 | (1,080) | 3,579 | (3,878) | 6,294 | (1,282) | (3,818) | 636 | 245 | 1,830 |
| Net income/(loss) (GAAP) | 1,525 | (2,212) | 3,001 | (4,805) | 7,319 | 620 | 612 | 631 | (2,492) | 6,111 |
| Net income/(loss) to shareholders (Non-GAAP) | 1,047 | 478 | 1,184 | 750 | 3,294 | 3,560 | 1,683 | 6,326 | 3,460 | 11,579 |
| NPM (Non-GAAP) | 1.0% | 0.4% | 1.1% | 0.6% | 2.7% | 2.4% | 1.2% | 3.8% | 0.7% | 2.0% |

SOURCES: CGIS RESEARCH, COMPANY REPORTS

Figure 3: 3Q19 results comparison

| (Rmb m) | 3Q18 | 3Q19 | yoy change | Prev. 3Q19F |
|-----------------------------------------------------|----------------|----------------|------------------|----------------|
| Total revenue | 104,768 | 134,843 | 28.7% | 127,714 |
| Cost of sales | -88,659 | -114,729 | 29.4% | -107,566 |
| Gross profit | 16,110 | 20,114 | 24.9% | 20,149 |
| GPM | 15.4% | 14.9% | -0.5% pts | 15.8% |
| Fulfillment expenses | -7,591 | -9,635 | 26.9% | -9,126 |
| As % of revenue | 7.2% | 7.1% | -0.1% pts | 7.1% |
| Marketing expenses | -3,768 | -4,985 | 32.3% | -4,721 |
| As % of revenue | 3.6% | 3.7% | 0.1% pts | 3.7% |
| Technology and content expense | -3,077 | -3,371 | 9.6% | -3,193 |
| As % of revenue | 2.9% | 2.5% | -0.4% pts | 2.5% |
| General and administration expense | -814 | -1,048 | 28.7% | -992 |
| As % of revenue | 0.8% | 0.8% | 0.0% pts | 0.8% |
| Total operating expenses (non-GAAP) | -15,250 | -19,039 | 24.8% | -18,032 |
| Operating income/(loss) | -651 | 4,973 | -864.2% | 516 |
| Operating income/(loss) (non-GAAP) | 638 | 2,957 | 363.3% | 1,938 |
| EBIT margin (Non-GAAP) | 0.6% | 2.2% | 1.6% pts | 1.5% |
| Share-based compensation (SBC) | 1,051 | 1,025 | -2.5% | 1,156 |
| Amortisation of intangible assets | 457 | 146 | -68.0% | 466 |
| Total other income | 3,579 | -3,818 | -206.7% | 484 |
| Net income/(loss) (GAAP) | 3,001 | 612 | -79.6% | 901 |
| Net income/(loss) to shareholders (Non-GAAP) | 1,184 | 1,683 | 42.1% | 2,423 |
| NPM (Non-GAAP) | 1.1% | 1.2% | 0.1% pts | 1.9% |

SOURCES: CGIS RESEARCH, COMPANY REPORTS

Figure 4: DCF Valuation

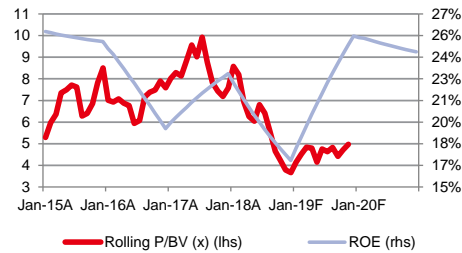
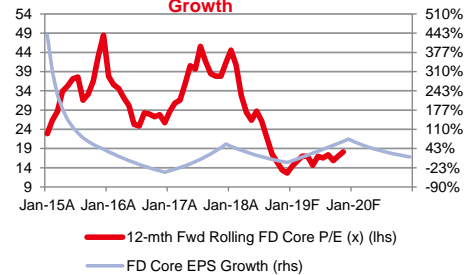
| DCF computation (Rmb m) | FY18 | FY19F | FY20F | FY21F | FY22F | FY23F | FY24F | FY25F | FY26F | FY27F | FY28F | FY29F | FY30F | FY31F |
|----------------------------------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| EBIT (non-GAAP) | 1,913 | 10,028 | 13,014 | 18,562 | 20,728 | 23,238 | 26,154 | 29,548 | 33,505 | 38,127 | 43,538 | 49,885 | 57,345 | 66,128 |
| Taxes | -427 | -679 | -947 | -1,479 | -1,797 | -2,178 | -2,635 | -3,185 | -3,847 | -4,646 | -5,612 | -6,781 | -8,198 | -9,919 |
| NOPAT | 1,486 | 9,349 | 12,068 | 17,084 | 18,931 | 21,060 | 23,519 | 26,363 | 29,657 | 33,481 | 37,926 | 43,104 | 49,146 | 56,209 |
| NOPAT growth | | 529.3% | 29.1% | 41.6% | 10.8% | 11.2% | 11.7% | 12.1% | 12.5% | 12.9% | 13.3% | 13.7% | 14.0% | 14.4% |
| D&A | 5,574 | 7,335 | 9,014 | 10,612 | 10,930 | 11,258 | 11,596 | 11,944 | 12,302 | 12,671 | 13,051 | 13,443 | 13,846 | 14,262 |
| Funds from operation | 7,059 | 16,683 | 21,082 | 27,696 | 29,861 | 32,319 | 35,115 | 38,307 | 41,959 | 46,152 | 50,978 | 56,547 | 62,992 | 70,470 |
| Change in net working Capital | 12,356 | 22,262 | 23,377 | 24,069 | 24,791 | 25,534 | 26,300 | 27,089 | 27,902 | 28,739 | 29,601 | 30,489 | 31,404 | 32,346 |
| Cash flow from operation | 19,416 | 38,945 | 44,459 | 51,764 | 54,652 | 57,853 | 61,415 | 65,396 | 69,862 | 74,891 | 80,579 | 87,037 | 94,397 | 102,816 |
| Capex | -21,239 | -16,623 | -16,480 | -16,551 | -17,130 | -17,729 | -18,350 | -18,992 | -19,657 | -20,345 | -21,057 | -21,794 | -22,557 | -23,346 |
| Free cash flow from operation | -1,823 | 22,322 | 27,978 | 35,214 | 37,522 | 40,123 | 43,065 | 46,404 | 50,205 | 54,546 | 59,522 | 65,243 | 71,840 | 79,470 |
| FCF growth | | N/A | 25.3% | 25.9% | 6.6% | 6.9% | 7.3% | 7.8% | 8.2% | 8.6% | 9.1% | 9.6% | 10.1% | 10.6% |
| Terminal free cash flow | 785,248 | | | | | | | | | | | | | |
| Total discounted free cash flow | 232,991 | | | | | | | | | | | | | |
| Present value of terminal free cash flow | 155,941 | | | | | | | | | | | | | |
| Total present value of forecasted free cash flows | 388,932 | | | | | | | | | | | | | |
| Less: Net Debt | -59,214 | | | | | | | | | | | | | |
| Equity Value | 448,146 | | | | | | | | | | | | | |
| No. of ADS (millions) | 1,472 | | | | | | | | | | | | | |
| Per ADS Equity Value (Rmb) | 304.5 | | | | | | | | | | | | | |
| Exchange rate | 7.3 | | | | | | | | | | | | | |
| Target price (US\$) | 41.70 | | | | | | | | | | | | | |

SOURCES: CGIS RESEARCH, COMPANY REPORTS

Figure 5: WACC assumptions

| WACC assumptions | (%) |
|---------------------------------|--------------|
| Cost of equity | 13.4% |
| Risk free rate | 4.0% |
| Market Risk Premium | 7.6% |
| Beta | 1.2 |
| Cost of debt | 6.0% |
| Kd (after tax) | 4.5% |
| Target Debt / (Debt + Equity) | 0% |
| Target Equity / (Debt + Equity) | 100% |
| WACC | 13.4% |
| Terminal growth | 5.0% |

SOURCES: CGIS RESEARCH, BLOOMBERG

BY THE NUMBERS
P/BV vs ROE

12-mth Fwd FD Core P/E vs FD Core EPS Growth

Profit & Loss

| (Rmbm) | Dec-17A | Dec-18A | Dec-19F | Dec-20F | Dec-21F |
|-------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total Net Revenues | 362,332 | 462,020 | 571,422 | 672,279 | 766,930 |
| Gross Profit | 54,901 | 71,309 | 92,766 | 110,039 | 126,955 |
| Operating EBITDA | 8,102 | 8,688 | 17,762 | 22,428 | 29,574 |
| Depreciation And Amortisation | (4,086) | (5,356) | (7,335) | (9,014) | (10,612) |
| Operating EBIT | 4,016 | 3,332 | 10,428 | 13,414 | 18,962 |
| Financial Income/(Expense) | 1,567 | 1,263 | 1,388 | 1,361 | 1,332 |
| Pretax Income/(Loss) from Assoc. | (1,927) | (1,113) | (1,057) | (1,005) | (954) |
| Non-Operating Income/(Expense) | 1,316 | 95 | 1,500 | 1,500 | 1,500 |
| Profit Before Tax (pre-EI) | 4,973 | 3,578 | 12,258 | 15,271 | 20,840 |
| Exceptional Items | | | | | |
| Pre-tax Profit | 4,973 | 3,578 | 12,258 | 15,271 | 20,840 |
| Taxation | (140) | (427) | (679) | (947) | (1,479) |
| Exceptional Income - post-tax | | | | | |
| Profit After Tax | 4,833 | 3,151 | 11,579 | 14,324 | 19,362 |
| Minority Interests | 135 | 309 | 0 | 0 | 0 |
| Preferred Dividends | | | | | |
| FX Gain/(Loss) - post tax | | | | | |
| Other Adjustments - post-tax | | | | | |
| Net Profit | 4,968 | 3,460 | 11,579 | 14,324 | 19,362 |
| Recurring Net Profit | 9,820 | 9,411 | 17,047 | 20,130 | 25,417 |
| Fully Diluted Recurring Net Profit | 9,820 | 9,411 | 17,047 | 20,130 | 25,417 |

Cash Flow

| (Rmbm) | Dec-17A | Dec-18A | Dec-19F | Dec-20F | Dec-21F |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| EBITDA | 8,102 | 8,688 | 17,762 | 22,428 | 29,574 |
| Cash Flow from Inv. & Assoc. | | | | | |
| Change In Working Capital | 16,285 | 12,356 | 22,262 | 23,377 | 24,069 |
| (Incr)/Decr in Total Provisions | | | | | |
| Other Non-Cash (Income)/Expense | | | | | |
| Other Operating Cashflow | 434 | (163) | (291) | (668) | (1,217) |
| Net Interest (Paid)/Received | 0 | 0 | 0 | 0 | 0 |
| Tax Paid | | | | | |
| Cashflow From Operations | 24,821 | 20,881 | 39,734 | 45,137 | 52,426 |
| Capex | (6,562) | (17,102) | (13,197) | (13,226) | (13,459) |
| Disposals Of FAs/subsidiaries | | | | | |
| Acq. Of Subsidiaries/investments | | | | | |
| Other Investing Cashflow | (30,937) | (8,977) | (4,485) | (4,400) | (4,340) |
| Cash Flow From Investing | (37,498) | (26,079) | (17,683) | (17,626) | (17,799) |
| Debt Raised/(repaid) | 3,954 | 2,870 | 454 | 500 | 550 |
| Proceeds From Issue Of Shares | 0 | 3,532 | 0 | 0 | 0 |
| Shares Repurchased | 0 | (206) | 0 | 0 | 0 |
| Dividends Paid | 0 | 0 | 0 | 0 | 0 |
| Preferred Dividends | | | | | |
| Other Financing Cashflow | 15,281 | 5,024 | 4,141 | 4,348 | 4,565 |
| Cash Flow From Financing | 19,235 | 11,220 | 4,595 | 4,848 | 5,115 |
| Total Cash Generated | 6,558 | 6,022 | 26,646 | 32,359 | 39,743 |
| Free Cashflow To Equity | (8,723) | (2,328) | 22,506 | 28,011 | 35,177 |
| Free Cashflow To Firm | (12,677) | (5,198) | 22,051 | 27,511 | 34,627 |

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

BY THE NUMBERS... cont'd

Balance Sheet

| (Rmbm) | Dec-17A | Dec-18A | Dec-19F | Dec-20F | Dec-21F |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total Cash And Equivalents | 38,386 | 39,538 | 66,656 | 99,569 | 139,966 |
| Total Debtors | 21,886 | 16,720 | 16,682 | 16,724 | 16,849 |
| Inventories | 41,700 | 44,030 | 48,433 | 53,276 | 58,604 |
| Total Other Current Assets | 13,055 | 4,568 | 4,743 | 4,932 | 5,137 |
| Total Current Assets | 115,029 | 104,856 | 136,514 | 174,502 | 220,555 |
| Fixed Assets | 12,574 | 21,083 | 26,968 | 30,648 | 32,235 |
| Total Investments | 28,579 | 47,258 | 47,731 | 48,208 | 48,690 |
| Intangible Assets | 20,394 | 22,131 | 23,749 | 25,158 | 26,367 |
| Total Other Non-Current Assets | 7,479 | 13,837 | 16,167 | 19,106 | 22,830 |
| Total Non-current Assets | 69,026 | 104,309 | 114,614 | 123,120 | 130,122 |
| Short-term Debt | 12,885 | 4,545 | 4,999 | 5,499 | 6,049 |
| Current Portion of Long-Term Debt | | | | | |
| Total Creditors | 87,943 | 93,003 | 116,904 | 141,977 | 167,774 |
| Other Current Liabilities | 17,423 | 23,314 | 26,644 | 30,470 | 34,869 |
| Total Current Liabilities | 118,251 | 120,862 | 148,548 | 177,947 | 208,692 |
| Total Long-term Debt | 10,923 | 6,786 | 6,786 | 6,786 | 6,786 |
| Hybrid Debt - Debt Component | | | | | |
| Total Other Non-Current Liabilities | 2,493 | 4,689 | 4,689 | 4,689 | 4,689 |
| Total Non-current Liabilities | 13,416 | 11,475 | 11,475 | 11,475 | 11,475 |
| Total Provisions | 0 | 0 | 0 | 0 | 0 |
| Total Liabilities | 131,666 | 132,337 | 160,022 | 189,422 | 220,167 |
| Shareholders' Equity | 52,041 | 59,771 | 74,049 | 91,143 | 113,454 |
| Minority Interests | 348 | 17,057 | 17,057 | 17,057 | 17,057 |
| Total Equity | 52,389 | 76,828 | 91,106 | 108,200 | 130,511 |

Key Ratios

| | Dec-17A | Dec-18A | Dec-19F | Dec-20F | Dec-21F |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue Growth | 40.3% | 27.5% | 23.7% | 17.7% | 14.1% |
| Operating EBITDA Growth | 38% | 7% | 104% | 26% | 32% |
| Operating EBITDA Margin | 2.24% | 1.88% | 3.11% | 3.34% | 3.86% |
| Net Cash Per Share (Rmb) | 10.23 | 19.60 | 37.02 | 57.18 | 80.85 |
| BVPS (Rmb) | 36.53 | 41.54 | 49.96 | 59.70 | 72.15 |
| Gross Interest Cover | N/A | N/A | N/A | N/A | N/A |
| Effective Tax Rate | 2.8% | 11.9% | 5.5% | 6.2% | 7.1% |
| Net Dividend Payout Ratio | NA | NA | NA | NA | NA |
| Accounts Receivables Days | 16.37 | 10.85 | 6.92 | 5.60 | 4.65 |
| Inventory Days | 41.92 | 40.04 | 35.25 | 33.10 | 31.90 |
| Accounts Payables Days | 71.46 | 72.08 | 68.62 | 71.59 | 73.90 |
| ROIC (%) | 15% | 28% | 172% | (197%) | (84%) |
| ROCE (%) | 8.1% | 5.6% | 12.4% | 13.2% | 15.4% |
| Return On Average Assets | 1.90% | 0.96% | 4.43% | 4.72% | 5.56% |

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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