

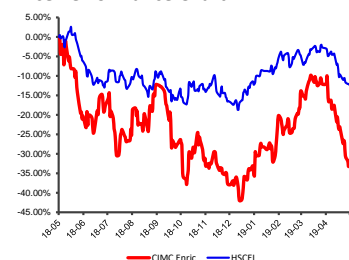
23 May 2019

**BUY**  
**Upgraded**

**Market Data: May 23, 2019**

|                          |           |
|--------------------------|-----------|
| Closing Price (HK\$)     | 5.80      |
| Price Target (HK\$)      | 8.82      |
| HSCEI                    | 10,401    |
| HSCCI                    | 4,256     |
| 52-week High/Low (HK\$)  | 9.45/5.32 |
| Market Cap (RMB Mn)      | 11,591    |
| Market Cap (HK\$m)       | 11,591    |
| Shares Outstanding (m)   | 1,998     |
| Exchange Rate (Rmb-HK\$) | 1.20      |

**Price Performance Chart:**



Source: Bloomberg

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"CIMC Enric Holdings (03899:HK) –  
"Fuelling the bottom line" 22 March  
2019

"CIMC Enric Holdings (03899:HK) –  
"Fuelled by LNG" 15 January 2019

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# 价值凸显

## CIMC Enric Holdings (03899 HK)

### Financial summary and valuation

|                    | 2017 (restated) | 2018   | 2019E  | 2020E  | 2021E  |
|--------------------|-----------------|--------|--------|--------|--------|
| Revenue (Rmbm)     | 10,707          | 13,052 | 14,785 | 16,741 | 18,586 |
| YoY (%)            | 34.36           | 21.90  | 13.28  | 13.23  | 11.02  |
| Net income (Rmbm)  | 420             | 786    | 957    | 1,126  | 1,290  |
| YoY (%)            | -               | 86.99  | 21.77  | 17.73  | 14.59  |
| EPS (Rmb)          | 0.22            | 0.40   | 0.49   | 0.58   | 0.66   |
| Diluted EPS (Rmb)  | 0.21            | 0.40   | 0.49   | 0.57   | 0.65   |
| ROE (%)            | 7.58            | 10.63  | 13.19  | 14.69  | 15.08  |
| Debt/asset (%)     | 58.59           | 58.71  | 58.68  | 59.18  | 59.05  |
| Dividend yield (%) | 2.54            | 2.07   | 2.54   | 2.99   | 3.43   |
| PE (x)             | 22.32           | 11.98  | 9.84   | 8.36   | 7.29   |
| PB (x)             | 1.60            | 1.45   | 1.30   | 1.16   | 1.04   |
| EV/Ebitda (x)      | 12.38           | 8.39   | 7.59   | 6.47   | 5.66   |

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

在美国进口 LNG 关税上调、一季度 LNG 进口增速下滑的双重事件冲击下，过去一个月公司股价显著回撤，跑输恒生国企指数 14.3%。虽然股价大幅波动，但我们认为公司基本面仍然稳健，天然气长期大发展的背景下装备市场前景依然开阔。国六排放标准上马在即，缺气瓶颈逐渐解决，车用天然气市场复苏重启，天然气重卡销量 4 月暴涨，打开公司高毛利车载瓶业务的发展空间。我们维持公司 19/20/21 年的摊薄每股收益预测人民币 0.49/0.57/0.65 元。我们维持当下目标价 8.82 港币，对应 19 年 15.0 倍市盈率。我们强调对公司当下风险收益比的正面看法，现价距目标价有 52% 的上涨空间，我们将评级由增持上调至买入。

**基本面依然稳健。**LNG 进口同比增速由 18 年 1 季度的 58.8% 下滑至 19 年 1 季度的 21.3%，天然气表观消费量同比增速也由 17.4% 下滑至 11.6%。我们认为增速下滑可以归因于 18 年高基数与 18-19 年取暖季北方气温较高，但增速依然处于较高区间，对天然气装备的需求仍然强劲，公司 LNG 装备工厂利用率依然维持高位。在储气调峰装备市场，政府强调现有设备的储气调峰能力较目标仍有较大差距，呼吁加强建设，广东省发改委近日将部分调峰储气项目调入省内十三五规划，让我们更加坚信，在政府的大力支持下，公司相关设备订单有望维持长期增长。

**车载瓶机遇。**19 年天然气紧供应逐渐缓解，LNG 市场价格应声下跌，油气价格差的扩大与宽松的供应环境增加了天然气重卡的经济吸引力。在国六排放标准 7 月上马的大背景下，我们观察天然气重卡销量大幅增加。根据中国工业协会数据，4 月份除汽柴油车外的其它重型货车销量同比 479.8%，环比增加 100.6%，其中 LNG 重卡贡献了大部分。我们认为天然气重卡销售的回暖，将极大拉动公司高毛利的气瓶销售。我们预计，公司 19 年将录得 6.3 亿人民币的气瓶销售收入，占 17 年高峰气瓶销售收入的 80.8%。

**估值吸引。**截至今日，公司当下 19 年远期市盈率与市净率分别为 9.8 倍与 1.6 倍，远低于他们五年均值 14 倍与 2.1 倍。我们认为相关市场与公司风险已充分反映在股价中，时下具有极高投资价值。

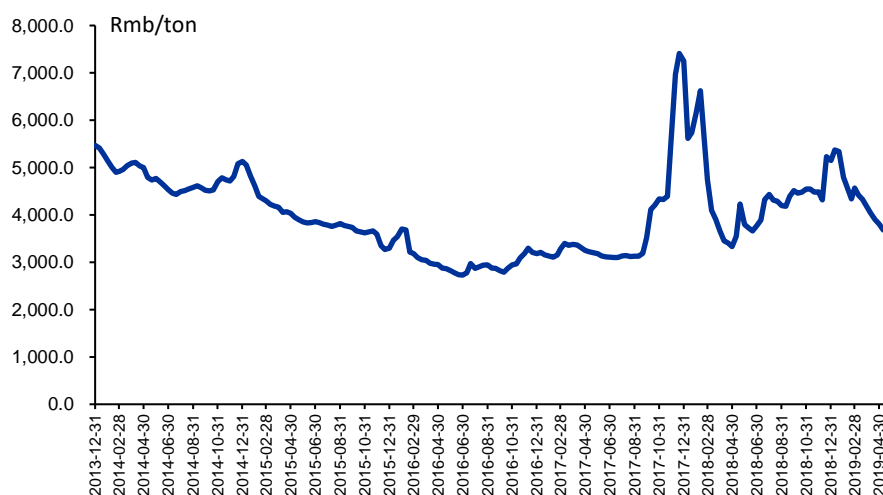
**上调至买入。**我们看好公司长期发展前景，我们维持公司 19/20/21 年的摊薄每股收益预测人民币 0.49/0.57/0.65 元。我们维持当下目标价 8.82 港币，对应 19 年 15.0 倍市盈率。我们强调对公司当下风险收益比的正面看法，现价距目标价有 52% 的上涨空间，我们将评级由增持上升至买入。

Fig 1: Fuel cost difference between using Diesel and LNG per 100 kilometres



Source: Wind, SWS Research

Fig 2: LNG prices



Source: Wind, SWS Research

Due to China's tariff hikes on US liquefied natural gas (LNG) imports, as well as decelerating LNG import growth in 1Q19, CIMC Enric's share price retreated, underperforming the HSCEI by 14.3ppts in the past month. However, we believe the firm's fundamentals remain solid. Given emission standards upgrades and increasing gas supply, we expect sales of LNG-fuelled heavy trucks to grow rapidly in 2019, benefiting the company's high-margin cylinder business. We maintain our diluted EPS forecasts of Rmb0.49 in 19E (+22.5% YoY), Rmb0.57 in 20E (+16.3% YoY), and Rmb0.65 in 21E (+14.0% YoY). Given robust fundamentals, we maintain our target price of HK\$8.82, representing 18.0x 19E PE. With 52% upside, we upgrade our company rating from Outperform to BUY.

**Fundamentals remain intact.** LNG import growth moderated from +58.8% YoY in 1Q18 to +21.3% YoY in 1Q19. We attribute the slowing growth to a high base in 2018, as well as weaker seasonal demand amid higher temperatures in northern China. However, we believe demand for LNG-related equipment remains robust. The company's LNG factory still operates at full capacity. Within the LNG storage equipment manufacturing segment, the government's reiterated storage target is still far from being achieved, boding well for long-term business growth. Guangdong's National Development and Reform Commission (NDRC) has recently added several gas storage projects to its 13th Five-Year Plan, indicating strengthened government support.

**Promising cylinder sales.** Rising oil prices and decreasing LNG prices have enhanced the economic value of LNG-fuelled heavy trucks. Given the current oil-natural gas spread, we expect the price difference between LNG-fuelled heavy trucks and diesel-fuelled heavy trucks to recover within a year. Given emission standards upgrades and increasing gas supply, we expect sales of LNG-fuelled heavy trucks to grow rapidly in 2019, benefiting the company's high-margin cylinder business. We expect the company to record Rmb630m in cylinder sales in 2019, accounting for 80.8% of the peak segment revenue in 2017.

**Attractive valuation.** The company's stock is currently trading at 9.8x 19E PE and 1.6x LF PB, which is well below its five-year average of 14.0x one-year forward PE and 2.1x LF PB. We believe risks are already largely reflected in the firm's valuation, making it appealing to investors.

**Upgrade to BUY.** We reiterate our positive view on CIMC Enric's growth outlook, on the back of rapidly growing gas consumption. We maintain our diluted EPS forecasts of Rmb0.49 in 19E (+22.5% YoY), Rmb0.57 in 20E (+16.3% YoY), and Rmb0.65 in 21E (+14.0% YoY). Given robust fundamentals, we maintain our target price of HK\$8.82, representing 18.0x 19E PE. With 52% upside, we upgrade our company rating from Outperform to BUY.

## Appendix

### Consolidated Income Statement

| (Rmbm)                     | 2017    | 2018     | 2019E    | 2020E    | 2021E    |
|----------------------------|---------|----------|----------|----------|----------|
| <b>Revenue</b>             | 10,707  | 13,052   | 14,785   | 16,741   | 18,586   |
| Cost of Sales              | (8,980) | (10,826) | (12,220) | (13,787) | (15,270) |
| <b>Gross Profit</b>        | 1,727   | 2,226    | 2,565    | 2,954    | 3,316    |
| Other Income               | 214     | 256      | 290      | 320      | 300      |
| Distribution expenses      | (312)   | (372)    | (414)    | (469)    | (502)    |
| Administrative expenses    | (883)   | (1,088)  | (1,227)  | (1,381)  | (1,487)  |
| <b>EBITDA</b>              | 999     | 1,378    | 1,514    | 1,744    | 1,948    |
| EBIT                       | 744     | 4,993    | 5,205    | 5,579    | 6,030    |
| Finance Costs              | (79)    | (74)     | (52)     | (56)     | (61)     |
| <b>Profit before tax</b>   | 559     | 1,020    | 1,162    | 1,368    | 1,567    |
| Income tax expense         | (136)   | (238)    | (197)    | (233)    | (266)    |
| Minority interests         | 3       | (3)      | 8        | 9        | 10       |
| <b>Profit for the year</b> | 420     | 786      | 957      | 1,126    | 1,290    |

Source: Company data, SWS Research

### Consolidated Cash Flow Statement

| (Rmbm)                              | 2017    | 2018  | 2019E | 2020E | 2021E |
|-------------------------------------|---------|-------|-------|-------|-------|
| <b>Profit before taxation</b>       | 559     | 1,020 | 1,162 | 1,368 | 1,567 |
| Plus: Depr. and amortisation        | 255     | 279   | 300   | 320   | 321   |
| Finance cost                        | (79)    | (74)  | (52)  | (56)  | (61)  |
| Losses from investments             | 0       | 0     | 0     | 0     | 1     |
| Change in working capital           | 60      | 469   | 739   | 610   | 681   |
| Others                              | 56      | (106) | (93)  | (121) | (145) |
| <b>CF from operating activities</b> | 851     | 1,590 | 2,055 | 2,121 | 2,363 |
| Capex                               | (172)   | (287) | (300) | (320) | (350) |
| Other CF from investing activities  | (335)   | (325) | 0     | 0     | 0     |
| <b>CF from investing activities</b> | (507)   | (611) | (300) | (320) | (350) |
| Equity financing                    | 0       | 0     | 0     | 0     | 0     |
| Net change in liabilities           | 288     | 232   | 322   | 450   | 1,050 |
| Dividend and interest paid          | (82)    | (203) | (339) | (394) | (448) |
| Other CF from financing activities  | (1,177) | (380) | (600) | (600) | (600) |
| <b>CF from financing activities</b> | (971)   | (350) | (617) | (544) | 2     |
| <b>Net cash flow</b>                | (627)   | 628   | 1,138 | 1,257 | 2,015 |
| FCFF                                | (271)   | 1,229 | 1,304 | 1,527 | 1,648 |
| FCFE                                | 16      | 1,461 | 1,626 | 1,977 | 2,698 |

Source: Company data, SWS Research

### Consolidated Balance Sheet

| (Rmbm)                              | 2017          | 2018          | 2019E         | 2020E         | 2021E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Current Assets                      | 10,314        | 11,761        | 13,289        | 15,423        | 17,486        |
| Bank balances and cash              | 2,260         | 2,930         | 4,088         | 5,365         | 6,718         |
| Trade and other receivables         | 2,980         | 3,012         | 3,322         | 3,761         | 4,175         |
| Inventories                         | 3,054         | 3,865         | 3,850         | 4,155         | 4,393         |
| Other current assets                | 2,021         | 1,954         | 2,029         | 2,142         | 2,199         |
| Long-term investment                | 0             | 0             | 1             | 2             | 3             |
| PP&E                                | 2,590         | 2,615         | 2,615         | 2,615         | 2,644         |
| Intangible and other assets         | 230           | 205           | 228           | 228           | 228           |
| <b>Total Assets</b>                 | <b>14,176</b> | <b>15,853</b> | <b>17,552</b> | <b>19,798</b> | <b>22,064</b> |
| Current Liabilities                 | 7,669         | 8,090         | 8,927         | 10,410        | 11,920        |
| Borrowings                          | 1,390         | 478           | 400           | 500           | 800           |
| Trade and other payables            | 2,433         | 2,711         | 3,013         | 3,400         | 3,765         |
| Other current liabilities           | 3,846         | 4,901         | 5,514         | 6,511         | 7,355         |
| Long-term liabilities               | 0             | 686           | 900           | 900           | 700           |
| <b>Total Liabilities</b>            | <b>8,306</b>  | <b>9,308</b>  | <b>10,301</b> | <b>11,716</b> | <b>13,026</b> |
| Minority Interests                  | 145           | 178           | 214           | 256           | 308           |
| Shareholder Equity                  | 5,725         | 6,368         | 7,037         | 7,825         | 8,730         |
| Share Capital                       | 18            | 18            | 18            | 18            | 19            |
| Reserves                            | 5,707         | 6,349         | 7,019         | 7,807         | 8,711         |
| Forex Difference                    | 0             | 0             | 1             | 2             | 3             |
| <b>Total Liabilities and equity</b> | <b>14,176</b> | <b>15,853</b> | <b>17,552</b> | <b>19,798</b> | <b>22,064</b> |

Source: Company data, SWS Research

### Key Financial Ratios

|                                 | 2017  | 2018  | 2019E | 2020E | 2021E |
|---------------------------------|-------|-------|-------|-------|-------|
| <b>Ratios per share (HK\$)</b>  |       |       |       |       |       |
| Earnings per share              | 0.22  | 0.40  | 0.49  | 0.58  | 0.66  |
| Diluted EPS                     | 0.21  | 0.40  | 0.49  | 0.57  | 0.65  |
| Operating CF per share          | 0.44  | 0.82  | 1.06  | 1.09  | 1.22  |
| Dividend per share              | 0.07  | 0.12  | 0.15  | 0.17  | 0.20  |
| Net assets per share            | 3.03  | 3.33  | 3.72  | 4.15  | 4.64  |
| <b>Key Operating Ratios (%)</b> |       |       |       |       |       |
| ROIC                            | 3.97  | 3.59  | 22.37 | 12.49 | 12.89 |
| ROE                             | 7.58  | 10.63 | 13.19 | 14.69 | 15.08 |
| Ebitda Margin                   | 6.95  | 8.41  | 8.21  | 8.50  | 8.75  |
| Ebit Margin                     | 6.95  | 8.41  | 8.21  | 8.50  | 8.76  |
| Growth rate of Revenue(YoY)     | 34.36 | 21.90 | 13.28 | 13.23 | 11.02 |
| Growth rate of Profit(YoY)      | 0.00  | 86.99 | 21.77 | 17.73 | 14.59 |
| Debt-to-asset ratio             | 58.59 | 58.71 | 58.68 | 59.18 | 59.05 |
| Turnover rate of net assets     | 1.87  | 2.05  | 2.10  | 2.14  | 2.13  |
| Turnover rate of total assets   | 1.40  | 1.61  | 1.66  | 1.61  | 1.56  |
| Effective tax rate (%)          | 24.32 | 23.32 | 17.00 | 17.00 | 17.00 |
| Dividend yield (%)              | 0.00  | 2.07  | 2.54  | 2.99  | 3.43  |

Source: Company data, SWS Research

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Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

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