

2019年2月13日

买入
维持

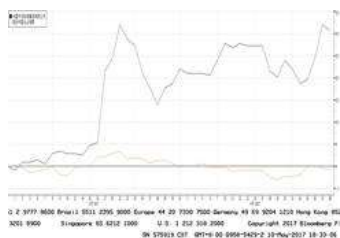
海外收购落地，协同效应可期

宇华教育集团 (06169:HK)

Market Data: 12 February 2019

| | |
|--------------------------|-----------|
| Closing Price (HK\$) | 3.42 |
| Price Target (HK\$) | 7.50 |
| HSCEI | 11,045 |
| HSCCI | 4,408 |
| 52-week High/Low (HK\$) | 6.34/2.67 |
| Market Cap (USD Mn) | 1,431 |
| Market Cap (HK\$ Mn) | 11,166 |
| Shares Outstanding (Mn) | 3,265 |
| Exchange Rate (RMB-HK\$) | 1.13 |

Price Performance Chart:



Source: Bloomberg

Analyst

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Financial summary and valuation

| | FY17 | FY18 | FY19E | FY20E | FY21E |
|--------------------|--------|----------|----------|----------|----------|
| Revenue (Rmbm) | 846.22 | 1,195.11 | 1,563.80 | 1,695.44 | 1,847.01 |
| YOY (%) | 8.31 | 41.23 | 30.85 | 8.42 | 8.94 |
| Net income (Rmbm) | 313.80 | 588.23 | 791.58 | 941.21 | 1,097.56 |
| YOY (%) | 0.68 | 87.45 | 34.57 | 18.90 | 16.61 |
| EPS (Rmb) | 0.12 | 0.17 | 0.22 | 0.27 | 0.31 |
| Diluted EPS (Rmb) | 0.12 | 0.16 | 0.22 | 0.27 | 0.31 |
| ROE (%) | 12.67 | 15.65 | 23.28 | 21.57 | 20.02 |
| Debt/asset (%) | 26.59 | 38.70 | 35.55 | 28.30 | 25.18 |
| Dividend Yield (%) | 2.73 | 3.15 | 3.90 | 4.54 | 5.27 |
| P/E (x) | 25.09 | 18.30 | 13.51 | 11.37 | 9.72 |
| P/B (x) | 3.18 | 2.58 | 2.90 | 2.26 | 1.80 |
| EV/EBITDA (x) | 23.19 | 11.27 | 9.03 | 7.04 | 5.51 |

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

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国际化学校。斯坦福国际大学曼谷和华欣提供国际和泰国的本科生和研究生学位课程，约有 4,000 名国际学生。此次收购生均成本为 47,000 元，低于国内高等教育平均的生均收购成本 64,000 元。学校拥有两个校区，租赁一个校区，可扩展至 6,000 人。学校教学国际化，70% 的教师来自海外。

运营优化。尽管目前仍小幅亏损，但我们相信宇华可以通过严格的成本控制和扎实的管理技能来优化学校的运营，已达到盈利的目标。湖南涉外经济学院（HEIU）成功的盈利增长案例是一个可靠的记录（在宇华管理下，湖南涉外经济学院仅 8 个月的运营利润为 6,600 万元人民币，而 2017 年全年利润为 6,200 万元人民币）。我们预计湖南涉外经济学院将在 2019 财年贡献约 1.41 亿元人民币的利润，占公司当年总利润的 18%。

协同。宇华将在其高等教育体系中为两国学生提供国际学习项目。我们预计，这将吸引大量的学生在宇华国内外大学就读。我们预计国际交换生项目能获得更高的利润率，从而进一步提高公司的利润率。

维持买入。我们预计未来海外并购及其之后的整合将给公司带来稳定的业绩增长。我们维持公司每股盈利预测不变，2019 财年 0.22 元（同比增长 39.7%），2020 财年 0.27 元（同比增长 18.8%），2021 财年每股盈利预测 0.31 元（同比增长 17.1%）。我们维持目标价 7.5 港币不变，对应 119% 的上升空间，维持买入评级。

China Yuhua Education announced the full acquisition of LEI Singapore Holdings for a total consideration of HK\$218.8m (or Rmb188.8m). The target company owns and operates Stamford International University (SIU) in Thailand. We believe this acquisition is a stepping stone in the firm's expansion into the international higher education market, while we see potential synergies with Yuhua's domestic higher education business. We maintain our diluted EPS forecasts of Rmb0.22 in FY19E (+39.7% YoY), Rmb0.27 in FY20E (+18.8% YoY), and Rmb0.31 in FY21E (+17.1% YoY). Our target price is unchanged at HK\$7.50. With 119% upside, we maintain our BUY recommendation.

An internationalised university. SIU offers international and Thai undergraduate and graduate programmes in Bangkok and Hua Hin, with c.4,000 international students. The per-enrolment acquisition cost was Rmb47,000, which is lower than the average domestic higher education per-enrolment acquisition cost of Rmb64,000. SIU owns two campuses and leases another one with expansion capability of c.6,000 students. The university is quite internationalised with 70% of faculty staff coming from overseas.

Operational improvements. Although SIU made a loss of US\$3.8m in 2017, we believe Yuhua will be able to make it profitable by improving the school's operations on the back of strict cost control and solid management skills. The success of Hunan Economics International University (HEIU) testifies to Yuhua's profit-making capability (HEIU reported profit of Rmb66m after only eight months of operations under Yuhua's management, vs a full-year profit of Rmb62m in 2017). We expect HEIU to contribute profit of Rmb141m in FY19E, accounting for 18% of the firm's total profit for the year.

Potential synergies. Yuhua will provide international higher education study programmes for students in both countries. We believe this will attract an increasing number of students to enrol in Yuhua's universities, both domestically and overseas. We forecast higher profitability for the firm's international study programmes and therefore improved profit margin for the company going forward.

Maintain BUY. We expect the company to deliver significant earnings growth on the back of operational improvements following the acquisition. We maintain our diluted EPS forecasts of Rmb0.22 in FY19E (+39.7% YoY), Rmb0.27 in FY20E (+18.8% YoY), and Rmb0.31 in FY21E (+17.1% YoY). Our target price is unchanged at HK\$7.50. With 119% upside, we maintain our BUY recommendation.

Appendix

Consolidated Income Statement

| Rmbm | FY17 | FY18 | FY19E | FY20E | FY21E |
|----------------------------|------|-------|-------|-------|-------|
| Revenue | 846 | 1,195 | 1,564 | 1,695 | 1,847 |
| Cost of Sales | -410 | -524 | -675 | -673 | -686 |
| Gross Profit | 436 | 671 | 889 | 1,022 | 1,161 |
| Other Income | 23 | 48 | 16 | 16 | 16 |
| Distribution expenses | -4 | -7 | -5 | -7 | -7 |
| Administrative expenses | -147 | -133 | -87 | -86 | -91 |
| EBITDA | 383 | 702 | 943 | 1,078 | 1,213 |
| EBIT | 308 | 579 | 812 | 945 | 1,080 |
| Finance Costs | -10 | -11 | -13 | -9 | -6 |
| Profit before tax | 314 | 592 | 792 | 941 | 1,098 |
| Income tax expense | 0 | -4 | 0 | 0 | 0 |
| Minority interests | 0 | 57 | 60 | 73 | 81 |
| Profit for the year | 314 | 588 | 792 | 941 | 1,098 |

Source: SWS Research

Consolidated Cash Flow Statement

| Rmbm | FY17 | FY18 | FY19E | FY20E | FY21E |
|------------------------------------|--------|------|-------|-------|-------|
| Profit before taxation | 314 | 592 | 792 | 941 | 1,098 |
| Plus: Depr. and amortisation | 75 | 122 | 131 | 132 | 133 |
| Finance cost | -5 | -13 | -20 | -25 | -42 |
| Losses from investments | 0 | 1 | 0 | 0 | 0 |
| Change in working capital | 52 | 32 | -81 | 245 | 120 |
| Others | 80 | -90 | -13 | -9 | -6 |
| CF from operating activities | 516 | 750 | 809 | 1,285 | 1,303 |
| CAPEX | -88 | -58 | -50 | -50 | -25 |
| Other CF from investing activities | -988 | -504 | 33 | 34 | 48 |
| CF from investing activities | -1,076 | -562 | -17 | -16 | 23 |
| Equity financing | 1,362 | 0 | 0 | 0 | 0 |
| Net change in liabilities | -315 | 365 | -529 | 0 | 0 |
| Dividend and interest paid | -97 | -239 | -386 | -449 | -520 |
| Other CF from financing activities | -37 | -14 | 0 | 0 | 0 |
| CF from financing activities | 913 | 764 | -915 | -449 | -520 |
| Net cash flow | 353 | 951 | -123 | 820 | 806 |
| FCFF | 333 | -865 | 650 | 1,177 | 1,325 |
| FCFE | 7 | -348 | 107 | 1,168 | 1,319 |

Source: SWS Research

Consolidated Balance Sheet

| Rmbm | FY17 | FY18 | FY19E | FY20E | FY21E |
|------------------------------|-------|-------|-------|-------|-------|
| Current Assets | 1,641 | 2,306 | 1,498 | 2,322 | 3,131 |
| Bank balances and cash | 643 | 1,593 | 1,470 | 2,290 | 3,096 |
| Trade and other receivables | 13 | 27 | 28 | 33 | 35 |
| Inventories | 0 | 0 | 0 | 1 | 2 |
| Other current assets | 986 | 686 | 0 | -1 | -2 |
| Long-term investment | | | | | |
| PP&E | 1,477 | 2,240 | 2,229 | 2,167 | 2,078 |
| Intangible and other assets | 256 | 1,586 | 1,549 | 1,596 | 2,118 |
| Total Assets | 3,375 | 6,132 | 5,276 | 6,085 | 7,328 |
| Current Liabilities | 897 | 2,035 | 1,472 | 1,722 | 1,845 |
| Borrowings | 0 | 438 | 0 | 0 | 0 |
| Trade and other payables | 266 | 633 | 300 | 337 | 340 |
| Other current liabilities | 632 | 963 | 1,173 | 1,385 | 1,506 |
| Long-term liabilities | 0 | 338 | 403 | 0 | 0 |
| Total Liabilities | 897 | 2,373 | 1,875 | 1,722 | 1,845 |
| Minority Interests | 0 | 0 | 0 | 1 | 2 |
| Shareholder Equity | 2,477 | 3,759 | 3,400 | 4,363 | 5,482 |
| Share Capital | 0 | 0 | 0 | 0 | 0 |
| Reserves | 517 | 583 | 612 | 1,073 | 1,611 |
| Equity attributable | 642 | 762 | 637 | 1,117 | 1,677 |
| Total Liabilities and equity | 3,375 | 6,132 | 5,276 | 6,085 | 7,328 |

Source: SWS Research

Key Financial Ratios

| | FY17 | FY18 | FY19E | FY20E | FY21E |
|--------------------------------|--------------|--------------|-------------|-------------|-------------|
| Ratios per share (yuan) | | | | | |
| Earnings per share | 0.12 | 0.17 | 0.22 | 0.27 | 0.31 |
| Diluted EPS | 0.12 | 0.16 | 0.22 | 0.27 | 0.31 |
| Operating CF per share | 0.19 | 0.23 | 0.25 | 0.39 | 0.40 |
| Dividend per share | 0.08 | 0.10 | 0.12 | 0.14 | 0.16 |
| Key Operating Ratios(%) | | | | | |
| Net assets per share | 0.96 | 1.17 | 1.05 | 1.34 | 1.69 |
| ROIC | 20.26 | 24.70 | 23.92 | 27.48 | 32.78 |
| ROE | 12.67 | 15.65 | 23.28 | 21.57 | 20.02 |
| Gross profit margin | 51.49 | 56.12 | 56.82 | 60.29 | 62.88 |
| EBITDA Margin | 47.23 | 60.40 | 59.81 | 63.86 | 66.99 |
| EBIT Margin | 38.32 | 50.16 | 51.45 | 56.05 | 59.77 |
| Growth rate of Revenue(YoY) | 8.31 | 41.23 | 30.85 | 8.42 | 8.94 |
| Growth rate of Profit(YoY) | 0.68 | 87.45 | 34.57 | 18.90 | 16.61 |
| Debt-to-asset ratio | 26.59 | 38.70 | 35.55 | 28.30 | 25.18 |
| Turnover rate of net assets | 34.16 | 31.79 | 45.99 | 38.86 | 33.69 |
| Turnover rate of total assets | 25.08 | 19.49 | 29.64 | 27.86 | 25.21 |
| Effective tax rate (%) | 0.00 | 0.63 | 0.00 | 0.00 | 0.00 |
| Dividend yield (%) | 2.73 | 3.15 | 3.90 | 4.54 | 5.27 |
| Valuation Ratios (X) | | | | | |
| P/E | 25.09 | 18.30 | 13.51 | 11.37 | 9.72 |
| P/B | 3.18 | 2.58 | 2.90 | 2.26 | 1.80 |
| EV/Sale | 10.95 | 6.81 | 5.40 | 4.50 | 3.69 |
| EV/EBITDA | 23.19 | 11.27 | 9.03 | 7.04 | 5.51 |

Source: SWS Research

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

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