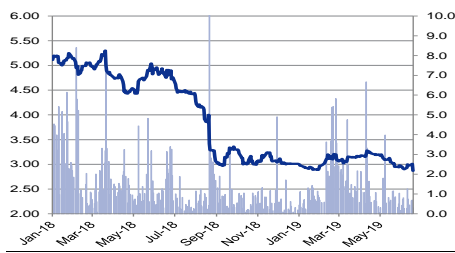


香港

**未评级**

前收盘价:	HK\$2.87
市场共识目标价:	N/A
潜在上升/下跌空间:	N/A
路透股票代码:	
彭博股票代码:	3399 HK
市值:	US\$293.0m
	HK\$2,296m
平均每日成交额:	US\$0.11m
	HK\$0.84m
目前发行在外股数	207.0m
自由流通量	83.8%



来源: 彭博

<b>股价表现</b>	1M	3M	12M
绝对表现 (%)	-5.6	-8.9	-39.6
相对表现 (%)	-6.5	-4.6	-35.3

<b>主要股东</b>	持股百分比
广东省交通集团有限公司	74.1
自由流通量	25.9

**Eyes On the Ground** 系列报告载列我们对公司的初步评估, 并不代表我们对公司进行覆盖。相关报告并不牵涉投资评级, 中国银河国际亦不须对股份进行定期更新。

**粤运交通**
**硬核资产资本运作谋求业务发展**

- 我们最近与粤运交通会谈, 讨论了公司的业务转型策略和 2019-2020 年盈利增长前景。
- 由于核心客运业务增速平淡, 公司已将业务焦点转移至公司持有的广东主要公路和高速公路的运营资产的商业运营。公司未来的盈利增长, 将主要由加油站能源业务、便利店业务以及其他与服务区资产相关的商业业务所推动。
- 由于 2019 年仍是公司的业务过渡期, 其 2019 年盈利增长仍会较平淡。该股目前的 2019 年市盈率为 6.7 倍, 与历史平均值相若。鉴于 2019 年股息收益率超过 6%, 我们认为股份下行空间有限。若公司在发行 A 股和进行资本操作方面取得进展, 将有助股价获重新估值, 我们认为股份值得重新留意。

**客运业务将保持稳定**

在 2017 - 2018 年, 公司核心客运业务 (占总收入 50%) 的客流量和收入连续两年下降。滴滴等公司推出的网约车服务, 对粤运交通客运业务的客运量造成了分流。公司预计, 其核心业务收入在 2019-2020 年期间仅仅保持稳定。为了保持稳定的客流量, 公司将增加更多服务路线, 并提供更加灵活和多样的运输服务, 以满足城乡地区客户的出行需求。公司还将开发自家的网约车业务。公司已获得了广东省政府的网约车业务开展许可证, 并于 2018 年四季度开始运营该业务。

**加油站能源业务、便利店和其服务区资产的商业运营将主要推动盈利增长**

公司的目标是, 将其服务区业务的比重增加至与客运业务相同的水平 (2018 年: 占总收入 27%)。截至 2018 年底, 公司自己运营 27 个自有品牌的加油站, 此外中石化还从公司承包了 142 个加油站的运营。公司目标逐步从第三方收回这些加油站的经营权, 同时其母公司今后开发的新高速公路上增加的新加油站公司都会采取自营的形式。公司计划在 2019 年增加 18 个自营能源站 (2018: 7 个)。在 2018 年底, 公司乐驿 (Loyee) 品牌旗下拥有 522 家便利店。其目标到 2019 年底将便利店的数量增加到 580 家。除此之外, 一些服务区资产的重新开发也将有助于公司提高自己品牌加油站和便利店的客流量和盈利增长, 从而促进公司服务区招商业务和广告传媒业务发展。

**发行 A 股和更多资本运作将有助释放公司隐藏价值**

公司的主要优势, 在于凭借母公司的支持获取广东主要高速公路周边优质运营资产的经营权。公司已将其业务重点从客运转移到其母公司开发的高速公路和高速公路上的服务区、客运站和加油站资产的商业运营。公司拟发行 8,900 万股新 A 股, 筹集 10 亿元人民币, 以支持这些业务的发展。此次发行应有助于吸引市场关注, 并可在股份被自动纳入港股通后其在港股市场的流通性得以改善。我们也预期母公司和粤运交通将开展更多资本运作, 从而释放公司内在价值。

**估值**

根据我们的盈利预测, 公司的 2019 年市盈率为 6.7 倍, 接近历史平均值。总体而言, 由于股份 2019 年预测股息率超过 6%, 我们认为股价短期内进一步下跌空间有限。此外, 由于公司致力提升经营资产的商业价值, 而这将推动盈利增长再次加快, 并释放资产价值, 有助股价获得重新估值。

**分析员**

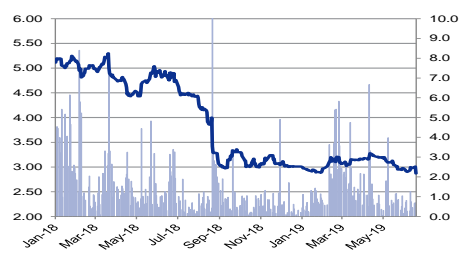
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Y/E Dec 31	2015	2016	2017	2018	2019E	2020E
收入 (百万人民币)	8,709	7,321	7,544	6,295	6,678	7,687
经常性净利润 (百万人民币)	266	335	429	327	301	326
净利润率 (%)	3.1%	4.6%	5.7%	5.2%	4.5%	4.2%
经常性每股盈利 (人民币)	0.42	0.44	0.54	0.41	0.38	0.39
百分比变动	31.2%	3.8%	21.6%	-23.6%	-7.9%	2.6%
市盈率(倍)	6.0	5.7	4.7	6.2	6.7	6.6
市净率(倍)	0.8	0.9	0.8	0.8	0.8	0.6
股息率(%)	5.1%	5.1%	6.3%	6.7%	6.2%	6.3%

## Hong Kong

**NON RATED**

Current price:	HK\$2.87
Consensus Tgt Price:	N/A
Up/downside:	N/A
Reuters:	
Bloomberg:	3399 HK
Market cap:	US\$293.0m HK\$2,296m
Average daily turnover:	US\$0.11m HK\$0.84m
Current shares o/s:	207.0m
Free float:	83.8%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.6	-8.9	-39.6
Relative (%)	-6.5	-4.6	-35.3

Major shareholders	% held
Guangdong Provincial Communication Group	74.1
Free-float	25.9

This **Eyes On the Ground** report represents a preliminary assessment of the subject company, and does not represent initiation into CGI's coverage universe. It does not carry investment ratings, and CGI does not commit to regular updates on an ongoing basis.

# Yueyun Transportation

## Capital operation with hard-core assets to facilitate new development

- We recently visited Yueyun Transportation to discuss its business transformation strategy and earnings growth outlook in 2019–2020.
- Facing tepid core passenger transportation growth, the Company has shifted its business focus to the commercial operations of its operating assets along major highways and expressways in Guangdong. Future earnings growth will be driven mainly by its energy stations, convenience store business and other commercial operations related to its service zone assets.
- Its earnings growth will remain subdued in 2019E, as 2019 is still a business transition period for the Company. The stock currently trades at 6.7x 2019E PER, in line with its historical trading average. We think downside risk should be limited, given its dividend yield of >6% in 2019E. A-share issuance and more capital operations are likely to drive a share price re-rating. We think the Company is worth a revisit.

### Passenger transportation business to remain stable at best

Its core passenger transportation business (>50% of total revenue) suffered from decreases in passenger traffic and revenue for two consecutive years in 2017–2018. Online taxi-booking services launched by companies like Didi resulted in traffic diversion from its passenger transportation business. The Company expects its core business revenue to remain only stable in 2019–2020E. To keep stable passenger traffic, it will add more service routes and provide more integrated and flexible transportation services to meet the travel needs of local customers in both urban and rural regions. It will also develop its own online taxi-booking service. It obtained an operating license from the Guangdong government, and launched its service in Q4 2018.

### Energy stations, convenience stores and other commercial operations in its service zone assets to drive earnings growth

The Company aims to grow its service zone business to the same weight in its total business as its passenger transportation business (2018: 27% of total revenue). At the end of 2018, it had operating rights to 27 energy stations under its own brand, and contracted 142 energy stations to third parties, like Sinopec. The Company aims to gradually take back the operating rights of these energy stations and add more new energy stations along new highways being developed by its parent company. The Company aims to add another 18 energy stations in 2019 (2018: 7). It had 522 stores under its Loyee brand at the end of 2018. It aims to grow the number of convenience stores to 580 by the end of 2019. The redevelopment of its self-owned service zone assets will also help boost traffic and earnings growth of its energy station and convenience store business and will help facilitate its merchant solicitation and advertising media business.

### A-share issuance and more capital operations to unlock value

Its key strength is leveraging its parent company's support to gain control of high-quality operating assets along major highways and expressways in Guangdong. Yueyun has shifted its business focus from passenger transportation to capital operations of its service zones, passenger transportation terminals, and energy stations along highways and expressways developed by its parent company. The proposed A-share issuance of 89m new shares aims to raise Rmb1bn to support the development of these segments. The issuance should help attract market attention and improve its trading liquidity in the Hong Kong market after its automatic inclusion in the Stock Connect. This will drive its parent company and Yueyun to initiate more capital operations to unlock its hidden value.

### Valuation

Based on our earnings forecast, the Company trades at 6.7x 2019E PER, in line with its historical trading average. Overall, we think further downside risk to its share price in the near term should be limited, supported by its dividend yield of >6% in 2019E. Moreover, its efforts to enhance the commercial value of its operating assets should drive earnings growth reacceleration and unlock its asset value to help its share price re-rating.

Y/E Dec 31	2015	2016	2017	2018	2019E	2020E
Turnover (RMB m)	8,709	7,321	7,544	6,295	6,678	7,687
Recurring net profit (RMB m)	266	335	429	327	301	326
Net margin (%)	3.1%	4.6%	5.7%	5.2%	4.5%	4.2%
Recurring EPS (RMB)	0.42	0.44	0.54	0.41	0.38	0.39
% change	31.2%	3.8%	21.6%	-23.6%	-7.9%	2.6%
PER(x)	6.0	5.7	4.7	6.2	6.7	6.6
PBR(x)	0.8	0.9	0.8	0.8	0.8	0.6
Dividend yield(%)	5.1%	5.1%	6.3%	6.7%	6.2%	6.3%

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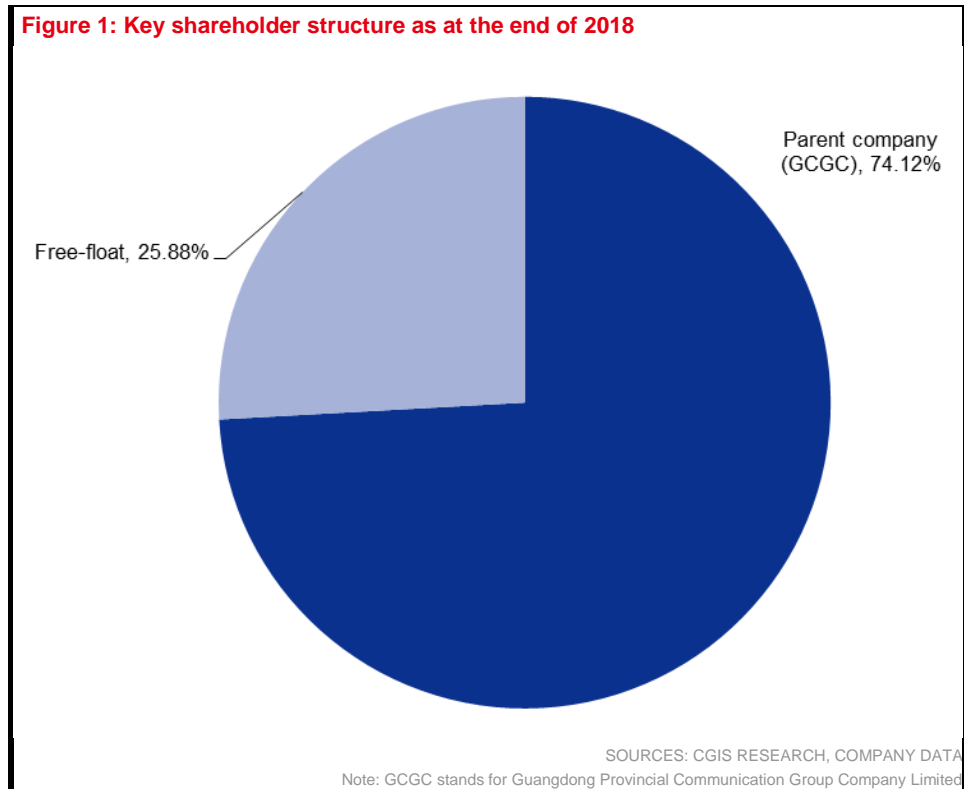
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Source: CGIS RESEARCH, COMPANY DATA

## Company profile

Guangdong Yueyun Transportation Company Limited (Yueyun Transportation) was established in 1999 and was listed on the Hong Kong Stock Exchange in 2005. Its parent company, Guangdong Provincial Communication Group Company Limited, is involved in the construction and operation of highways and expressways in Guangdong province. It is also engaged in highway passenger and freight transportation, logistics, and the design and supervision of highway and bridge construction works. As at the end of 2018, the parent company had about a 74.12% equity stake in Yueyun Transportation.

**Figure 1: Key shareholder structure as at the end of 2018**



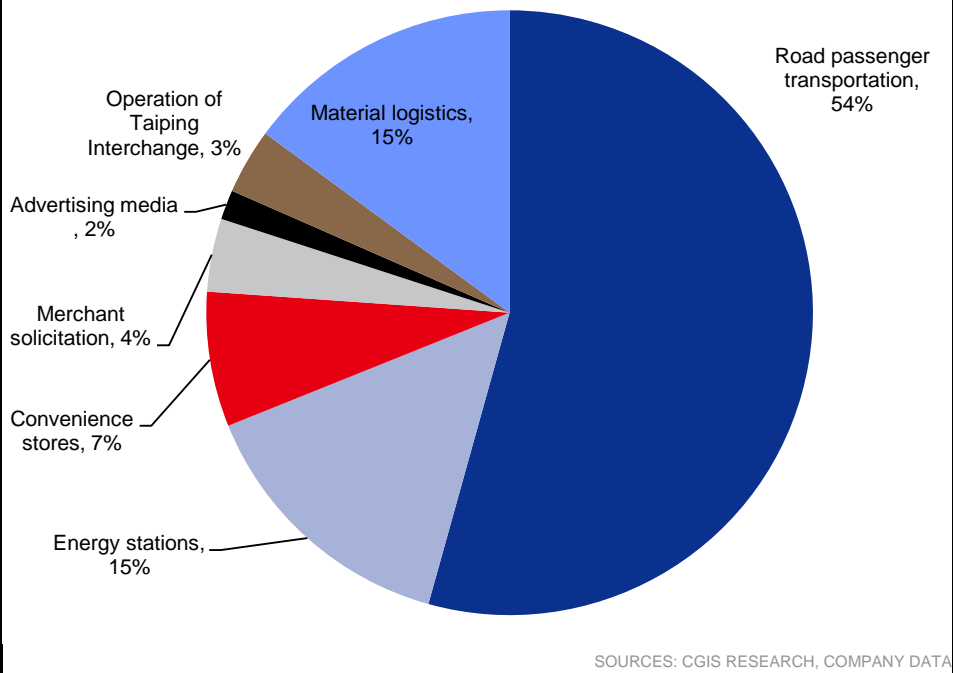
With its parent company's support, Yueyun Transportation is involved mainly in the travel service business in Guangdong. Its key revenue segments include 1) travel services, 2) material logistics, and 3) other business.

The travel service business, which accounted for around 85% of its total revenue in 2018, is split into three segments: 1) road passenger transportation (54% of total revenue in 2018), 2) service zone operation business (27% of total revenue in 2018), and 3) the operation of Taiping Interchange assets (3% of total revenue in 2018). The service zone operation business revenue is generated mainly from the operation of energy stations and convenience stores, and merchant solicitation and advertising media business along highways and expressways and at passenger transportation terminals and service zones. The revenue contribution from these sub-segments is shown in Fig 2.

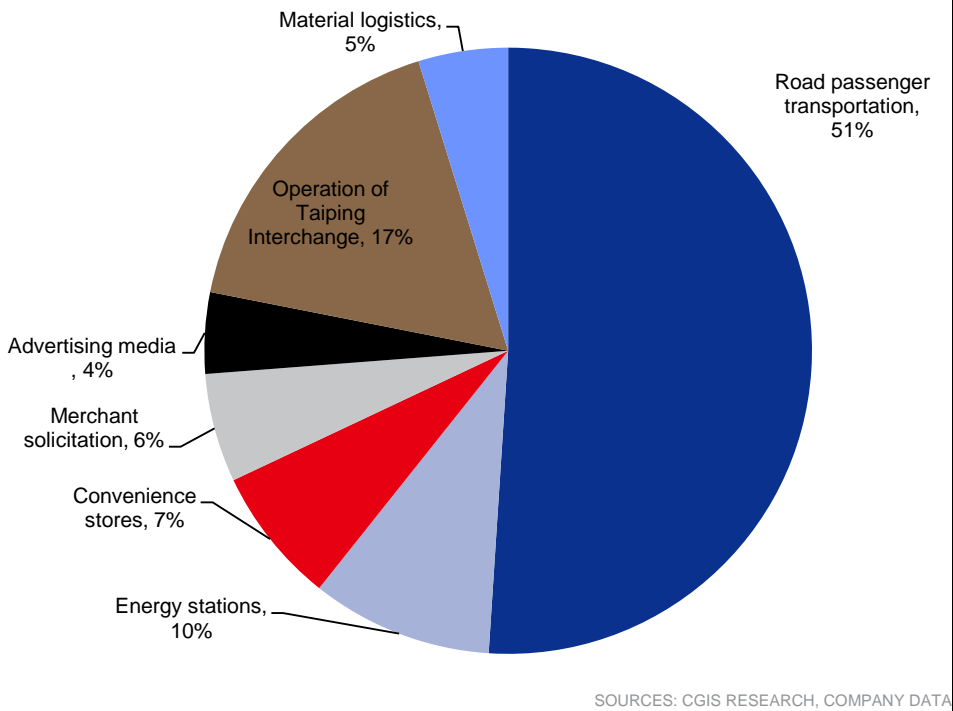
The material logistics business accounted for 15% of total revenue in 2018. The Company aims to gradually exit this business, so it will complete all existing contracts, but not take on any new contracts.

The Taiping Interchange business has the highest gross margin of all the business segments and accounted for 17% of total gross profit in 2018, while its revenue contribution was only 3% during the same period.

**Figure 2: Yueyun Transportation 2018 revenue breakdown**



**Figure 3: Yueyun Transportation 2018 gross profit breakdown**



### Traditional road passenger transportation business expected to remain flat

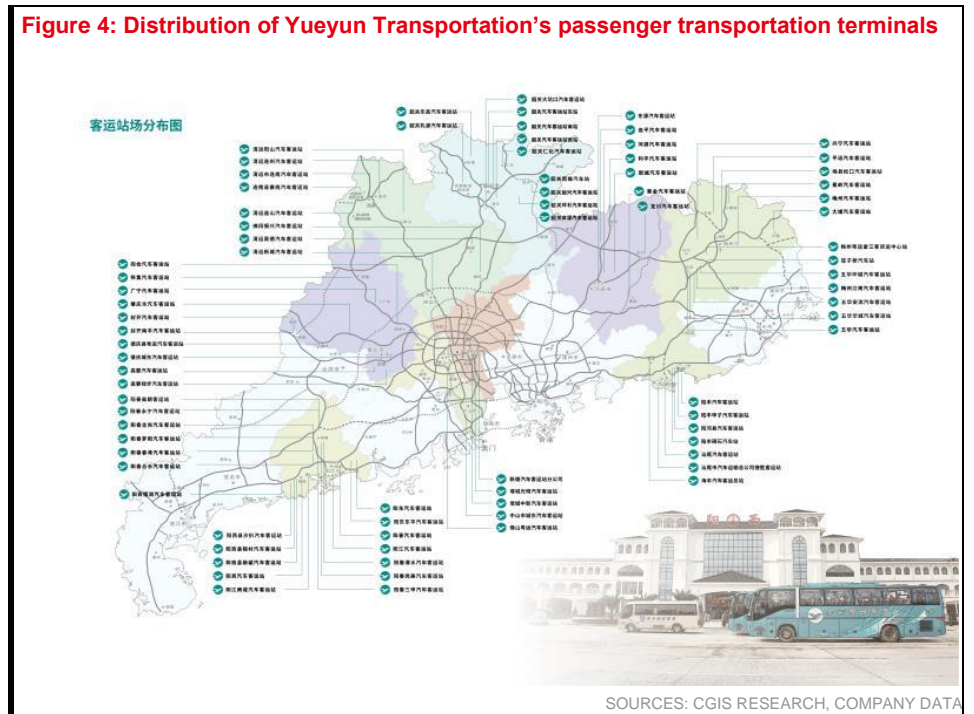
The Company's traditional road passenger transportation business accounts for >50% of its total revenue. But the business suffered a revenue decline for two consecutive years in 2017–2018 (Fig 11).

The opening of new high-speed train services connecting cities in Guangdong didn't present much of a threat to its road passenger transportation business. The online taxi-booking services launched by Didi and other similar companies in China resulted in traffic diversion to its road passenger transportation business. To secure stable core road passenger transportation business, the

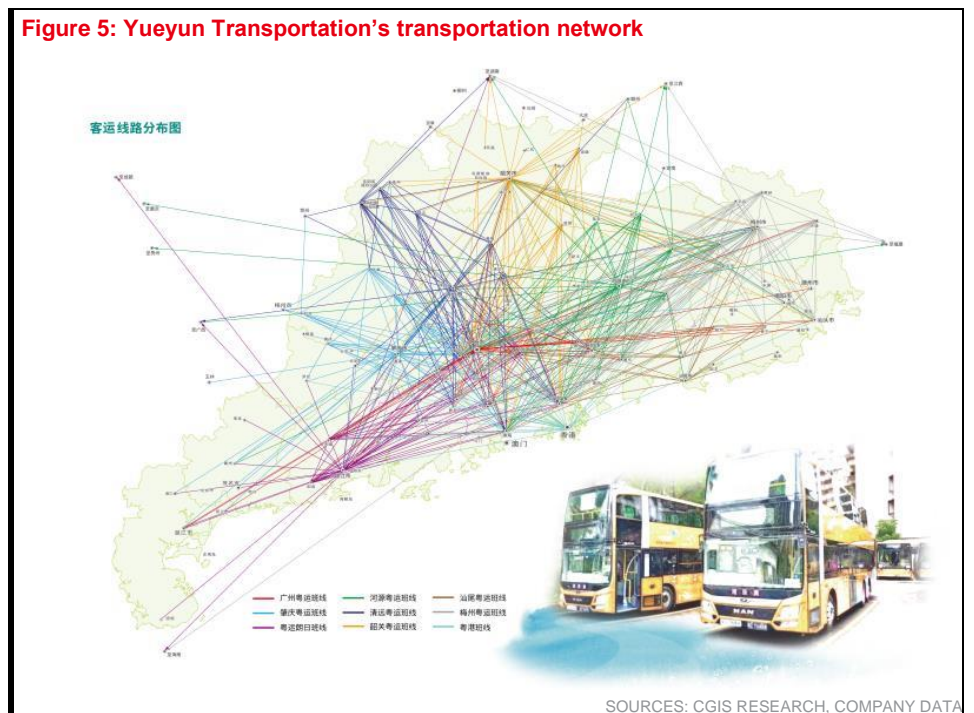


Company will add more service routes and develop its own online taxi-booking service. The Company obtained official approval for its online taxi-booking platform from the Guangdong provincial government, with permission for nationwide service in September 2018. Later, it obtained licenses for its online taxi-booking business in Guangzhou, Zhongshan, Heyuan and Shaoguan. It launched its online taxi-hailing service in Q4 2018. The Company also aims to strength its transportation route offerings to better connect rural and urban areas and provide more flexible passenger transportation business, like bus charter services.

**Figure 4: Distribution of Yueyun Transportation's passenger transportation terminals**



**Figure 5: Yueyun Transportation's transportation network**



## Energy stations, convenience stores and other service zone business development expected to enhance asset value and drive earnings growth

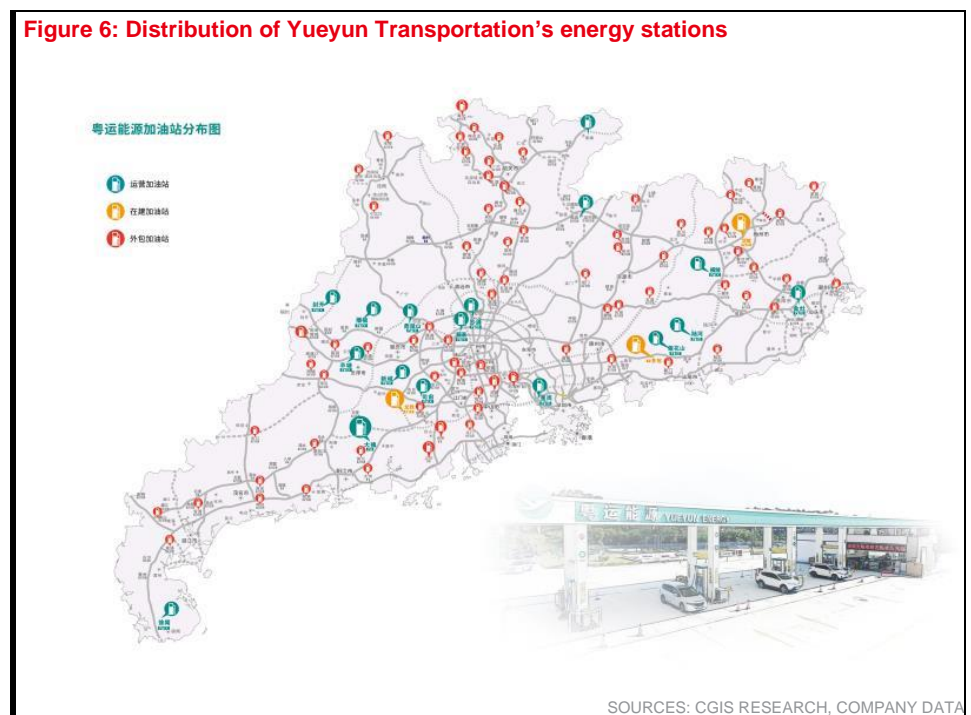
The Company has operating rights in all the service zones along the highways and expressways built by its parent company in Guangdong. At the end of 2018, it operated 290 service zones along its parent company's highway assets in Guangdong. The Company covers c90% of all the service zones owned by its parent. As it operates the road passenger transportation business, it also operates passenger transportation terminals, which are distributed in major cities and counties in Guangdong. At the end of 2018, it operated 80 transportation terminals in Guangdong.

With its parent company's authorization, the Company can develop its energy station and convenience store business along highways and in highway service zones and passenger terminals. It also generates revenue from merchant solicitation business and advertising media business by making use of its operating assets on highways and in highway service zones and passenger transportation terminals.

### ➤ Energy station business

In 2016, the Company started to explore the potential of running its own energy stations and develop its own energy station brand. It opened 14 energy stations under its own brand in 2016 and contracted 140 other stores to third parties, mainly Sinopec. In 2016, the Company built an energy business development platform, which controls its energy business development. The Company is involved in retailing refined oil products and invested in the development of LNG refueling stations. It is also involved in the development of charging piles in its energy stations along expressways in Guangdong. At the end of 2018, it had 27 self-owned energy stations, 142 energy stations contracted to third parties, and 9 stations operated by JVs. The Company intends to gradually make these self-owned stations in the long term. In 2019E, it plans to add another 18 stations under its own operations.

Figure 6: Distribution of Yueyun Transportation's energy stations



### ➤ Convenience stores

The Company has built a network of convenience stores in service zones and transportation terminals, and in its energy stations along highways in Guangdong. The Company has developed its own brand, called Yueyun Loyee (乐驿). At the end of 2018, the Company had 522 convenience stores, over 380 of them self-owned. Its convenience store network provides an important O2O

platform for the Company's various business segments and serves as an important carrier for the development of various offline expressway businesses. Loyee stores offer services like ticket sales, car rentals, small parcel express delivery, logistics and distribution, tourism product sales and experience zones. The Company plans to develop its Loyee stores in service zones and passenger terminals, as well as in third- and fourth-tier cities and villages. The Company plans to add 58 convenience stores in 2019E.

**Figure 7: Yueyun Transportation's self-operated convenience stores**



➤ **Service zones**

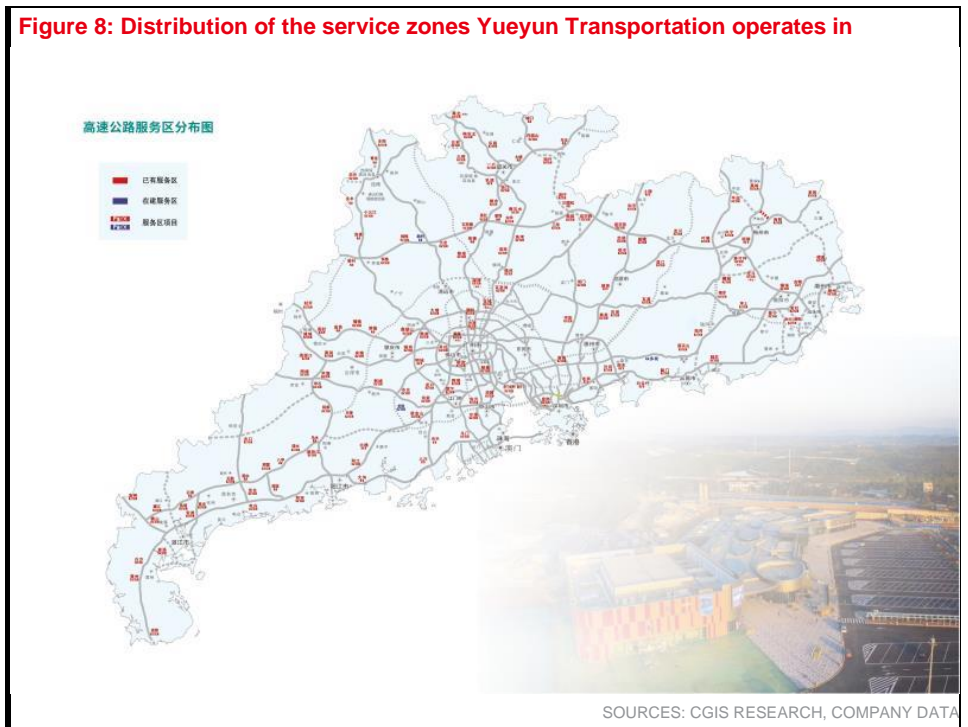
The Company has priority to gain the operating rights to its parent company's service zone assets if the assets provide positive value to its business. At the end of 2018, it had the operating rights to 290 service zones (end-2017: 210). The Company operates retail stores and energy stations in the service zones. It also generates revenue from its merchant solicitation and advertising media business.

The Company has enhanced the commercial value of some of its key-node service zones to help attract more traffic, lengthen travelers' sojourn time and increase travelers' spending while they are in the Company's service zones. This should help boost the earnings growth of its energy stations and retail stations in the service zones. It also attracts third-party vendors to rent space to open businesses in the service zones, which boosts the Company's merchant solicitation business growth and helps its advertising media business growth.

So far, the Company has finished the first phase of the renovation and expansion work in its Dahuai Service Zone, which started in Q1 2019. The Company has another 2–3 service zone redevelopment projects under consideration. But it will only kick off these projects if the Dahuai model proves mature and successful. Based on the Company's data analysis, per capita consumption at its Daihuai service zone was around Rmb25 vs. per capita consumption of Rmb10 in its traditional service zones. This should reinforce the Company's plan to redevelop some of its service zones to enhance the commercial value of its operating assets.



**Figure 8: Distribution of the service zones Yueyun Transportation operates in**



## A-share issuance for business transformation

To enhance the commercial value of its operating service zones and passenger transportation terminals and the further development of its energy stations and convenience stores, the Company decided to issue new A-shares on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange. It plans to issue around 89m new A shares, which represents 11% of its current issued share capital. The Company aims to raise funds of Rmb1,000m for its service zone and passenger transportation business development. The proceeds will also be used to help the Company develop its intelligent transportation platform, which will provide more effective and precise marketing and generate more commercial value from its operating assets. Currently, its A-share issuance is waiting for initial review by the SFC. The Company plans to finish this A-share issuance by 2020.

**Figure 9: Planned use of A-share issuance proceeds**

Project	Total investment (Rmb m)	IPO proceeds to be used (Rmb m)
Highway service zone and energy station development	424.39	405.00
Passenger transportation business development	470.15	419.00
Highway media business	61.37	58.00
Information management platform	119.66	118.00
<b>Total</b>	<b>1,075.57</b>	<b>1,000.00</b>

SOURCES: CGIS RESEARCH, COMPANY DATA

## Earnings growth expected to remain subdued in 2019

We expect total revenue to grow 6.1% YoY in 2019E and 15.1% YoY in 2020E. We believe its revenue growth will come mainly from its energy and retail store business segments (Fig. 11). The traditional road passenger transportation business will largely remain stable in 2019–2020, given its efforts to add new routes and launch its own online taxi-hailing business. As the Company promised, it will gradually exit its material logistics business, so we expect revenue from this segment to decline in 2019E. The largest growth uncertainty will come from its operation of the Taiping Interchange toll. With the new Humen 2<sup>nd</sup> Bridge opening and government traffic restrictions for heavy-duty trucks, vehicle flow on the Taiping Interchange will start to decline from 2019 onwards.



As its Taiping Interchange toll offers the highest gross profit margin, we expect its gross profit margin to decline from a deteriorating revenue mix. We also expect its business transformation to constrain margin expansion in 2019–2020E. Overall, we expect its earnings to fall 7.9% YoY in 2019E. We expect its earnings growth to recover to 8.3% YoY in 2020E.

As the Taiping Interchange toll accounts for >20% of its net profit, we ran a sensitivity analysis of its earnings to changes in our growth assumptions for its Taiping Interchange business. As Fig 12 shows, every 5ppt change in our revenue growth assumption for its Taiping Interchange business reduces our earnings forecast for the Company in 2019E by 1.6%.

**Figure 10: CGIS earnings forecast for Yueyun Transportation**

Rmb m	2015	2016	2017	2018	2019E	2020E
<b>Revenue</b>	<b>8,709</b>	<b>7,321</b>	<b>7,544</b>	<b>6,295</b>	<b>6,678</b>	<b>7,687</b>
% YoY	-11.8%	-15.9%	3.0%	-16.6%	6.1%	15.1%
Cost of sales	-7,403	-6,040	-6,092	-5,219	-5,615	-6,490
<b>Gross profit</b>	<b>1,307</b>	<b>1,281</b>	<b>1,452</b>	<b>1,076</b>	<b>1,063</b>	<b>1,197</b>
<i>Gross profit margin</i>	15.0%	17.5%	19.3%	17.1%	15.9%	15.6%
Sales tax	-65	-61	-56	-47	-50	-58
% of sales	-0.8%	-0.8%	-0.7%	-0.7%	-0.7%	-0.7%
Selling expenses	-82	-93	-89	-65	-69	-80
Administrative expenses	-695	-669	-719	-680	-721	-830
R&D expenses			-4	-1	-1	-1
Other income and gains, net	110	172	152	277	305	335
<b>Profit from operations</b>	<b>573</b>	<b>630</b>	<b>735</b>	<b>560</b>	<b>527</b>	<b>564</b>
<i>Operating profit margin</i>	6.6%	8.6%	9.7%	8.9%	7.9%	7.3%
<i>Selling expenses as % of revenue</i>	0.9%	1.3%	1.2%	1.0%	1.0%	1.0%
<i>Administrative expenses as % of revenue</i>	8.0%	9.1%	9.5%	10.8%	10.8%	10.8%
Depreciation & Amortisation	426	509	546	626	657	750
<b>EBITDA</b>	<b>1,000</b>	<b>1,139</b>	<b>1,282</b>	<b>1,186</b>	<b>1,184</b>	<b>1,313</b>
<i>EBITDA margin</i>	11.5%	15.6%	17.0%	18.8%	17.7%	17.1%
<i>Interest income</i>	19	21	15	21	13	12
<i>Interest expense</i>	-89	-69	-74	-86	-91	-91
Net finance cost	-70	-48	-59	-65	-78	-79
Share of profit of associates	27	25	46	33	36	40
<b>PBT</b>	<b>530</b>	<b>607</b>	<b>723</b>	<b>528</b>	<b>485</b>	<b>525</b>
Tax	-164	-150	-183	-149	-136	-147
<i>Effective tax rate</i>	31.0%	24.6%	25.3%	28.2%	28.0%	28.0%
<b>Net profit</b>	<b>366</b>	<b>458</b>	<b>540</b>	<b>379</b>	<b>349</b>	<b>378</b>
<i>Net profit margin</i>	4.2%	6.3%	7.2%	6.0%	5.2%	4.9%
Attributable to:						
<b>Equity holders of the parent</b>	<b>266</b>	<b>335</b>	<b>429</b>	<b>327</b>	<b>301</b>	<b>326</b>
<i>YoY growth</i>	31.2%	26.0%	27.9%	-23.6%	-7.9%	8.3%
Minority interests	-100	-123	-111	-52	-48	-52
<b>EPS</b>	<b>0.42</b>	<b>0.44</b>	<b>0.54</b>	<b>0.41</b>	<b>0.38</b>	<b>0.39</b>
<b>Diluted EPS</b>	<b>0.33</b>	<b>0.42</b>	<b>0.54</b>	<b>0.41</b>	<b>0.38</b>	<b>0.39</b>
Dividend payout ratio	30.6%	29.5%	29.9%	41.5%	41.5%	41.5%
<b>DPS</b>	<b>0.13</b>	<b>0.13</b>	<b>0.16</b>	<b>0.17</b>	<b>0.16</b>	<b>0.16</b>

SOURCES: CGIS RESEARCH, COMPANY DATA

**Figure 11: Key revenue segment forecast**

Rmb m	2017	2018	2019E	2020E
Road passenger transportation	3,457	3,415	3,518	3,694
Energy stations	616	917	1,376	2,064
Convenience stores	386	453	544	653
Merchant solicitation	228	246	270	297
Advertising media	81	99	114	132
Service zone operation	1,311	1,716	2,305	3,146
Operation of Taiping Interchange	213	220	191	182
<b>Travel service</b>	<b>4,981</b>	<b>5,351</b>	<b>6,014</b>	<b>7,021</b>
<b>Material logistics</b>	<b>2,558</b>	<b>937</b>	<b>656</b>	<b>656</b>
<b>Other business</b>	<b>4</b>	<b>7</b>	<b>8</b>	<b>10</b>
<b>Total</b>	<b>7,544</b>	<b>6,295</b>	<b>6,678</b>	<b>7,687</b>
<b>% of total</b>				
Road passenger transportation	46%	54%	53%	48%
Energy stations	8%	15%	21%	27%
Convenience stores	5%	7%	8%	8%
Merchant solicitation	3%	4%	4%	4%
Advertising media	1%	2%	2%	2%
Service zone operation	17%	27%	35%	41%
Operation of Taiping Interchange	3%	3%	3%	2%
<b>Travel service</b>	<b>66%</b>	<b>85%</b>	<b>90%</b>	<b>91%</b>
<b>Material logistics</b>	<b>34%</b>	<b>15%</b>	<b>10%</b>	<b>9%</b>
<b>Other business</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>% YoY chg</b>				
Road passenger transportation	-0.6%	-1.2%	3.0%	5.0%
Energy stations	81.5%	48.9%	50.0%	50.0%
Convenience stores	31.3%	17.6%	20.0%	20.0%
Merchant solicitation	5.4%	7.5%	10.0%	10.0%
Advertising media	11.8%	22.4%	15.0%	15.0%
Service zone operation	42.1%	30.8%	34.3%	36.5%
Operation of Taiping Interchange	8.3%	3.2%	-13.0%	-5.0%
<b>Travel service</b>	<b>8.3%</b>	<b>7.4%</b>	<b>12.4%</b>	<b>16.7%</b>
<b>Material logistics</b>	<b>-15.5%</b>	<b>-63.4%</b>	<b>-30.0%</b>	<b>0.0%</b>
<b>Other business</b>	<b>24.4%</b>	<b>61.5%</b>	<b>20.0%</b>	<b>20.0%</b>
<b>Total</b>	<b>-1.1%</b>	<b>-16.6%</b>	<b>6.1%</b>	<b>15.1%</b>

SOURCES: CGIS RESEARCH, COMPANY DATA

**Figure 12: 2019E earnings sensitivity analysis to toll bridge business growth**

Toll bridge revenue growth	2019E earnings	Change from base case	2018 earnings	% YoY chg
<b>Base case (Rmb m)</b>	<b>301</b>		<b>327</b>	
2.0%	316	4.8%		-3.5%
-3.0%	311	3.2%		-5.0%
-8.0%	306	1.6%		-6.5%
-13.0%	301	0.0%		-7.9%
-18.0%	297	-1.6%		-9.4%
-23.0%	292	-3.2%		-10.9%
-28.0%	287	-4.8%		-12.4%

SOURCES: CGIS RESEARCH, COMPANY DATA

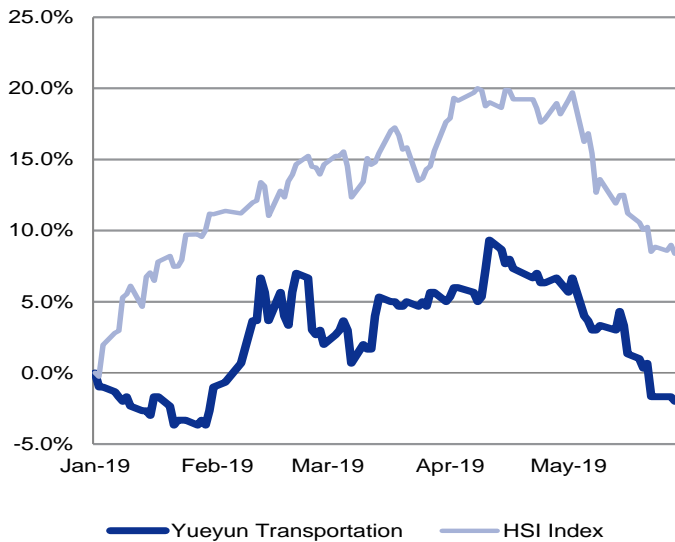
## Valuation

With its lackluster earnings growth, Yueyun Transportation's share price has fallen 4% CYTD vs. a 12% rise in the HSI Index during the same period. Based on our earnings forecast, the Company trades at 6.7x 2019E PER, in line with its historical trading average. Overall, we think further downside risk to its share price in the near term should be limited, supported by its dividend yield of >6% in 2019E. Moreover, its efforts to enhance the commercial value of its operating assets should help drive earnings growth re-acceleration from 2020 onwards and unlock its asset value to help its share price re-rating. Its A-share issuance, if successful, may help improve its trading liquidity in Hong Kong, as the H-shares will be included in the Stock Connect. We think the parent company will add more capital operations to the Company after the success of its A-share listing. We suggest investors put the stock back on their radar.

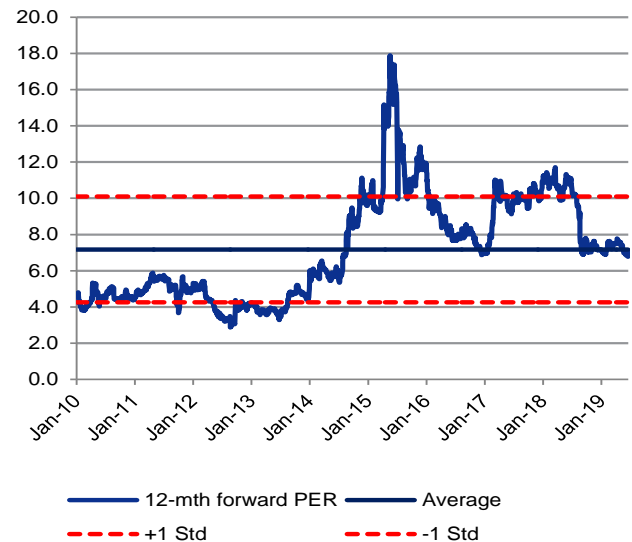
**Figure 13: Yueyun Transportation's land use rights**

	2018
Land use rights (Rmb m)	859
Exploitable land size (m sqm)	1.6
Total size (m sqm)	2.6
Cost based on size of exploitable land size (Rmb/sqm)	523.8

SOURCES: CGIS RESEARCH, COMPANY DATA

**Figure 14: Share price performance CYTD**


SOURCES: CGIS RESEARCH, BLOOMBERG

**Figure 15: Yueyun Transportation 12-mth forward PER band**


SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

**Figure 16: Comp sheet**

	Ticker	Mkt cap	Price	PER			EPS growth			PEG	P/Bk			Dividend yield			ROE		
				2018	2019E	2020E	2018	2019E	2020E		2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E
		US\$ m	(lc)																
<b>H-share peers</b>																			
Yueyun Transportation	3399 HK	293	2.87	6.2	6.7	6.5	-23.6%	-7.9%	2.6%	na	0.8	0.8	0.6	6.7%	6.2%	6.3%	13.7%	11.8%	9.2%
Transport International	62 HK	1,267	22.80	13.6	na	na	-46.0%	na	na	na	1.0	na	na	5.3%	na	na	7.0%	na	na
Kwoon Chung Bus	306 HK	250	4.24	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
AMS Public Transport	77 HK	32	0.93	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
<b>A-share peers</b>																			
Sichuan Fulin Transportation	002357 CH	311	6.86	57.2	na	na	-63.5%	na	na	na	1.9	na	na	1.5%	na	na	3.4%	na	na
Delixi Xinjiang Transportation	603032 CH	602	25.96	16.0	na	na	872.0%	na	na	na	6.1	na	na	0.2%	na	na	37.9%	na	na
Hainan Haiqi Transportation	603069 CH	305	6.66	35.1	na	na	18.8%	na	na	na	1.9	na	na	0.9%	na	na	5.4%	na	na
Jiangxi Changyun	600561 CH	220	6.41	58.3	na	na	22.2%	na	na	na	1.1	na	na	0.5%	na	na	1.8%	na	na
<b>International peers</b>																			
Convenience Retail	831 HK	364	3.74	15.6	na	na	21.7%	na	na	na	4.1	na	na	5.9%	na	na	26.5%	na	na
Chengdu Hongqi	002697 CH	1,190	6.04	25.2	21.5	18.4	100.0%	17.1%	17.1%	1.3	3.1	2.9	2.5	0.9%	1.3%	1.5%	12.5%	13.3%	13.8%
Zhongbai Holding	000759 CH	707	7.17	11.4	52.0	41.9	530.0%	-78.1%	23.9%	na	1.4	1.4	1.4	0.0%	0.7%	2.1%	12.7%	2.7%	3.3%
Seven & I	3382 JP	30,409	3,719	16.2	15.1	13.7	12.1%	7.2%	10.3%	2.1	1.3	1.2	1.2	2.6%	2.6%	2.9%	8.0%	8.2%	8.5%
FamilyMart	8028 JP	12,633	2,702	30.1	27.2	25.9	34.9%	10.6%	5.2%	2.6	2.4	2.3	2.2	1.3%	1.5%	1.6%	8.0%	8.3%	8.4%
Lawson Inc	2651 JP	4,755	5,140	20.1	26.9	19.4	-4.6%	-25.3%	38.4%	na	1.9	1.8	1.8	5.0%	3.2%	3.3%	9.2%	6.9%	9.2%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG, Note: based on closing prices on 19 June

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