

长飞光纤光缆 [6869.HK]

2018年三季度业绩反映同比增长放缓；评级维持买入

长飞光纤光缆公布其2018年三季度业绩。营业额和净利润分别同比增长5%和16%。期内同比增长放缓是由于2017年三季度基数较高以及供应没有之前那么紧张。我们预计长飞仍将是全球光纤市场的领导者，也是5G发展的主要受益者之一。我们相信，作为拥有综合业务模式的领先企业，长飞光纤光缆将跑赢同业。由于下调了平均售价和收入预测，我们降低了公司2018年和2019年净利润的预测。尽管公司在全球市场处于领先地位，但在股价调整后股份（H股）股价仍低于香港和A股上市同业（平均2018年市盈率为13.6倍）。我们维持买入评级，最新目标价为32.15港元，基于13倍2018年市盈率，较公司的A股同业存在折让。下调目标价是由于下调了目标市盈率（从15倍降至13倍）和净利润预测所致。

投资亮点

- 2018年三季度业绩亮点。**公司2018年三季度营业额约为人民币28.926亿元，较2017年三季度的人民币27.926亿元同比增长5%。公司的增长率从2018年上半年的21%同比放缓至2018年三季度的5%。公司2018年三季度净利润为人民币4.285亿元，较2017年三季度的人民币3.696亿元同比增长16%。三季度毛利率上升至28.7%（2018年上半年为28.2%，2017年三季度为26.7%）。我们认为，三季度同比增长放缓主要由于：a) 2017年三季度的基数较高；b) 供需动态更加平衡。我们认为，毛利率进一步上升主要是由于销售结构变化。公司在2018年三季度的管理费用高于2018年二季度和2017年三季度，我们认为这部分是由于A股IPO相关成本所致。
- 在股价调整后，前景并不像市场想象般差。**长飞2018年三季度的同比增长放缓可能引发市场对行业和公司的前景的担忧。我们认为，鉴于电信运营商持续进行投资，尤其是FTTH和5G，光纤的需求将在2018年和2019年保持稳定。作为领先企业，长飞光纤光缆应通过提升市场份额和盈利能力实现令人满意的增长。中国移动最近重新启动了光纤电缆盒连接器的招标，预计到2018年底，光纤电缆的招标将开始，市场很可能将这视为光纤供应链的催化剂。从长远来看，长飞光纤光缆的增长将得到新产品开发的支持，例如ULL光纤（预计将用于升级中国电信运营商光纤网络的主干线）。我们认为，虽然公司过去几个月股价回调，但公司前景并非如此悲观。
- 下调盈利预测。**我们将2018年和2019年净利润预测下调了8.5%和7.9%。在下调销量和平均售价增长预测后，我们将营业额预测下调8.1%和9.8%。我们的2018年和2019年综合毛利率预测分别上调0.44%和0.66%，因为预期预制品产品的贡献将会较高。与香港和A股上市同业相比，长飞光纤光缆的估值不高。鉴于下调了目标市盈率以及净利润预测，我们下调了长飞光纤光缆的目标价。

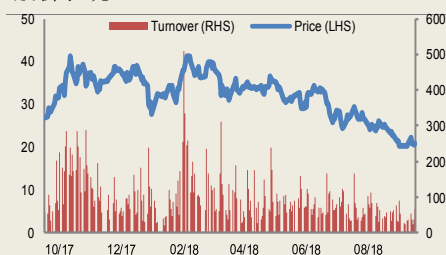
TMT行业

买入

收盘价：20.95港元（2018年10月26日）

目标价：32.15港元（+53.4%）

股价表现



来源：彭博

市值	31.27亿美元
已发行股数	7.579亿股
核数师	KPMG
自由流通量	43.8%
52周交易区间	20.15-41.30港元
三个月日均成交量	1,290万港元
主要股东	Draka (23.7%)

中国新控股有限责任公司 (23.7%)

来源：彭博，公司

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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	11,559.1	12,454.8
变动 (同比%)	18.6	20.5	27.8	11.5	7.7
毛利润	1,304.2	1,645.0	2,725.5	3,211.4	3,487.8
毛利率	19.4	20.3	26.3	27.8	28.0
净利润	570.7	717.1	1,268.4	1,664.4	1,882.6
净利润率	8.5	8.8	12.2	14.4	15.1
每股收益	1.19	1.47	1.98	2.44	2.48
变动 (同比%)	22.4	23.3	34.9	23.3	1.8
每股派息	\$0.174	\$0.255	\$0.000	\$0.755	\$0.497
净资产收益率 (%)	17.9	18.5	27.0	24.5	20.7
股息收益率 (%)	0.94	1.37	-	4.06	2.67
市盈率 (倍)	15.6	12.7	9.4	7.6	7.5
市净率 (倍)	2.5	2.9	2.4	1.5	1.4
自由现金流收益率 (%)	4.90%	10.05%	11.74%	6.34%	7.03%
资本开支 (百万元)	(112.4)	(278.5)	(161.5)	(920.0)	(1,058.0)
每股自由现金流	1.0	2.1	2.5	1.3	1.5
净负债比率 (%)	11.5	3.3	Net Cash	Net Cash	Net Cash

来源：公司，中国银河国际证券研究部

YOFC [6869.HK;601868.CH]

Q3 2018 results show a YoY slowdown in growth. Maintain BUY.

Yangtze Optical Fibre & Cable Joint Stock Limited Company (YOFC) reported its Q3 2018 results. Turnover and net profit grew 5% YoY and 16% YoY, respectively. The slowdown in YoY growth was due to a high base in Q3 2017 and more balanced supply/demand dynamics. We expect YOFC to remain the leader in the global optical fibre market and a major beneficiary of 5G development. We believe that as a leading player with an integrated business model, YOFC will outperform its peers. We revised downwards our net profit forecasts for YOFC for 2018 and 2019, given lower ASP and volume assumptions. After the share price correction, YOFC (H-share) is trading at a discount to its HK and A-share-listed peers, at an average 13.6x 2018 PER, despite its leading global position. We maintain our BUY rating with a new target price of HK\$32.15 (previous: HK\$40.60), based on 13x 2018E PER, which is a discount to YOFC's A-share-listed peers. The downward revision is due to the lower PE multiple (cut from 15x to 13x) used and the downward revision in net profit forecasts. The target price for YOFC (601868.CH) is RMB47.5, based on a 25% premium for YOFC-H (Hang Seng Connect China AH Premium Index). We have a HOLD rating on YOFC-A.

Investment Highlights

- Q3 2018 results highlights.** YOFC's Q3 2018 turnover was approximately RMB2,892.6m, up 5% YoY from RMB2,792.6m in Q3 2017. YOFC's growth slowed down from 21% YoY in 1H 2018 to 5% YoY in Q3 2018. The Company's Q3 2018 net profit was RMB428.5m, up 16% YoY from RMB369.6m in Q3 2017. YOFC's gross profit margin increased to 28.7% in Q3 2018, up from 28.2% in 1H 2018 and 26.7% in Q3 2017. The slowdown in YoY top-line growth in Q3 2018, in our view, was due to: a) a high base in Q3 2017, and b) more balanced supply/demand dynamics. The further increase in gross profit margin, in our view, was mainly due to changes in the sales structure. YOFC booked higher administrative expenses in Q3 2018 than in Q2 2018 and Q3 2017, which we believe was partly due to A-share IPO-related costs.
- Outlook not as bad as suggested after the share price correction.** YOFC's slowdown in YoY turnover in Q3 2018 may trigger concern about the outlook for the industry and YOFC. We believe that demand for optical fibre will remain solid in 2018 and 2019, given continuous investment by telecom operators, especially for FTTH and 5G. As a leading player, YOFC should achieve satisfactory growth through market share gains and better profitability. China Mobile recently re-launched tenders for optical fibre cable box connectors, and the tender for optical fibre cable is expected to kick-off by the end of 2018, which the market is likely to treat as catalyst for the optical fibre supply chain. From a long-term perspective, YOFC's growth will be supported by new product development, such as ULL optical fibre, which is expected to be used for upgrading the main trunk of the optical fibre network of Chinese telecom operators. We believe that the outlook for YOFC is not as bad as suggested by the Company's share price correction in the past several months.
- Downward earnings adjustment.** We revised downwards our 2018 and 2019 net profit forecasts by 8.5% and 7.9%, respectively. We cut our turnover forecasts by 8.1% and 9.8%, assuming lower volume and ASP growth. Our blended gross margin assumptions are up by 0.44% and 0.66% for 2018 and 2019, because of an expected higher contribution from preform products. YOFC is trading at an undemanding valuation compared to its HK- and A-share-listed peers. We cut our target price for YOFC, given the lower target PER used and the downward revision in our net profit forecasts.

Key Financials (in RMBm)	2015	2016	2017	2018E	2019E
Revenue	6,731.1	8,111.5	10,366.1	11,559.1	12,454.8
Change (YoY %)	18.6	20.5	27.8	11.5	7.7
Gross Profit	1,304.2	1,645.0	2,725.5	3,211.4	3,487.8
Gross Margin %	19.4	20.3	26.3	27.8	28.0
Net Profit	570.7	717.1	1,268.4	1,664.4	1,882.6
Net Margin %	8.5	8.8	12.2	14.4	15.1
EPS (Basic)	1.19	1.47	1.98	2.44	2.48
Change (YoY %)	22.4	23.3	34.9	23.3	1.8
DPS	\$0.174	\$0.255	\$0.000	\$0.755	\$0.497
ROE (%)	17.9	18.5	27.0	24.5	20.7
Dividend Yield (%)	0.94	1.37	-	4.06	2.67
PER (x)	15.6	12.7	9.4	7.6	7.5
PBR (x)	2.5	2.9	2.4	1.5	1.4
FCF Yield (%)	4.90%	10.05%	11.74%	6.34%	7.03%
Capex (m)	(112.4)	(278.5)	(161.5)	(920.0)	(1,058.0)
Free cash flow per share	1.0	2.1	2.5	1.3	1.5
Net Gearing (%)	11.5	3.3	Net Cash	Net Cash	Net Cash

Source: Bloomberg, CGIS Research.

TMT Sector

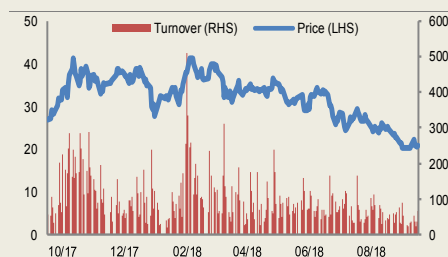
BUY (H-share)/HOLD (A-Share)

Close: HK\$20.95 (Oct 26, 2018)

TP (H) : HK\$32.15 (+53.4%)

TP (A) : RMB40.18 (+7.4%)

Share Price Performance



Source: Bloomberg.

Market Cap	US\$3,127m
Shares Outstanding	757.9m
Auditor	KPMG
Free Float	43.8%
52W range	HK\$20.15-41.30
3M average daily T/O	US\$12.9m
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	5,331.3	5,721.2
Optical fibre cables	1,817.6	1,989.4	2,643.3	3,580.7	5,034.9	5,551.0	6,003.4
Other products and services	285.6	457.7	331.4	298.4	485.7	534.2	587.7
Total	4,825.9	5,676.8	6,731.2	7,952.2	10,223.5	11,416.5	12,312.3
YoY Change (%)							
Optical fibre preforms and fibres		18.6	16.3	8.4	15.5	13.4	7.3
Optical fibre cables		9.5	32.9	35.5	40.6	10.3	8.1
Other products and services				(9.9)	62.7	10.0	10.0
Total		17.6	18.6	18.1	28.6	11.7	7.8
Gross margin (%)	21.1	19.2	19.4	20.3	26.3	27.8	28.0
Optical fibre preforms and fibres	27.3	25.3	26.0	27.6	36.7	39.0	39.0
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	45.3	50.7
Net margin (%)	8.6	8.2	8.5	8.8	12.2	14.4	15.1
ASP							
Optical fibre preforms (RMB/tonne)	1,012.0	931.8	931.8	969.1	1,125.9	1,159.6	1,194.4
Optical fibres (RMB/fkm)	59.0	55.0	57.7	59.8	59.8	62.8	64.7
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	3.0	3.0
Optical fibres		(6.7)	5.0	3.5	0	5.0	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	1,821.4	1,930.7
Optical fibres (fkm)	29,628.0	36,874.0	40,080.2	41,282.6	47,475.0	51,273.0	52,811.2
Optical fibre cables (fkm)	15,975.0	17,717.0	24,803.8	31,004.8	36,945.7	38,793.0	40,732.7
YoY Change (%)							
Volume							
Optical fibre preforms		33.8	20.0	7.0	0	10.0	6.0
Optical fibres		24.5	8.7	3.0	15.0	8.0	3.0
Optical fibre cables		10.9	40.0	25.0	19.2	5.0	5.0
Cost (HKDm)							
S,G&A	(548.6)	(565.4)	(714.4)	(861.7)	(1,273.0)	(1,477.2)	(1,517.0)
Financial Expenses	(68.0)	(78.0)	(81.3)	(99.2)	(156.4)	(112.2)	(78.2)
YoY Change (%)							
S,G&A		3.1	26.4	20.6	47.7	16.0	2.7
Financial Expenses		14.8	4.2	22.1	57.6	(28.2)	(30.3)

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	11,559	12,455	Net Income	677	792	1,465	1,747	1,985
Growth yoy%	18.6%	20.5%	27.8%	11.5%	7.7%	Depreciation & Amort.	116	133	173	235	305
Gross Profit	1,304	1,645	2,725	3,211	3,488	Change in Working Capital	(188)	383	99	(156)	(116)
Growth yoy%	19.9%	26.1%	65.7%	17.8%	8.6%	Cash from Ops.	605	1,307	1,738	1,826	2,174
Selling General & Admin Exp.	(714)	(862)	(1,273)	(1,477)	(1,517)	Capital Expenditure	(112)	(278)	(161)	(920)	(1,058)
Others Operating Expenses/Items	76	(35)	(118)	36	41	Sale of Property, Plant, and Equipment	-	-	-	-	-
Operating Income	666	748	1,334	1,771	2,012	Change in Investing Activities	(421)	(1,107)	(381)	(278)	(146)
Growth yoy%	n.a.	12.4%	78.3%	32.7%	13.7%	Cash from Investing	(533)	(1,385)	(542)	(1,198)	(1,204)
Interest Expense	(156.4)	(112.2)	(78.2)	(82.8)	(86.2)	Net increase in bank borrowings	(134)	(776)	(774)	59	44
Interest and Invest. Income	42.5	52.0	31.5	18.2	20.1						
Income/(Loss) from Affiliates	80.0	105.0	159.1	175.0	183.8	Issuance of Common Stock	235	0	0	2,024	0
Other Non-Operating Inc. (Exp.)	0	0	0	0	0	Common Dividends Paid	(106)	(119)	(233)	(379)	(193)
Impairment of Goodwill	-	-	-	-	-	Special Dividend Paid	-	-	-	-	-
Gain (Loss) On Sale Of Invest.	-	-	-	-	-	Other Financing Activities	(56)	522	(12)	(226)	(249)
Gain (Loss) On Sale Of Assets	-	-	-	-	-	Cash from Financing	(62)	(373)	(1,019)	1,478	(399)
Income Tax Expense	(74)	(100)	(212)	(250)	(286)						
Minority Int. in Earnings	12	23	34	34	38	Net Change in Cash	10	(452)	176	2,106	571
Net Income	571	717	1,268	1,664	1,883						
Growth yoy%	22.4%	25.6%	76.9%	31.2%	13.1%						

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	3,905	4,477	Return on Assets %	8.1%	9.1%	14.6%	15.4%	14.2%
Receivables	2,296	2,169	2,522	2,812	3,030	Return on Capital %	11.4%	12.1%	19.5%	20.1%	17.5%
Inventory	678	693	805	898	968	Return on Equity %	17.9%	18.5%	27.0%	24.5%	20.7%
Other Current Assets	7	132	103	104	105						
Total Current Assets	5,028	4,622	5,229	7,719	8,579	Margin Analysis					
Net Property, Plant & Equipment	982	1,321	1,922	2,607	3,360	Gross Margin %	19.4%	20.3%	26.3%	27.8%	28.0%
Long-term Investments	-	-	-	-	-	SG&A Margin %	10.6%	10.6%	12.3%	12.8%	12.2%
Other Intangibles	-	-	-	-	-	EBIT Margin %	10.5%	9.9%	13.2%	15.5%	16.3%
Deferred Tax Assets, LT	-	-	-	-	-	EBITDA Margin %	12.3%	11.5%	14.9%	17.5%	18.8%
Other Long-Term Assets	1,572	2,224	2,017	2,111	2,209	Net Income Margin %	8.5%	8.8%	12.2%	14.4%	15.1%
Goodwill	-	-	-	-	-						
Accounts Receivable Long-Term	-	-	-	-	-	Asset Turnover					
Total Long Term Assets	2,554	3,545	3,939	4,718	5,569	Total Asset Turnover	0.9x	1.0x	1.1x	0.9x	0.9x
Total Assets	7,583	8,166	9,168	12,437	14,148	Fixed Asset Turnover	2.6x	2.3x	2.6x	2.5x	2.2x
						Accounts Receivable Turnover	3.2x	3.6x	4.4x	4.3x	4.3x
LIABILITIES & EQUITY						Inventory Turnover	9.9x	11.7x	12.9x	12.9x	12.9x
Accounts Payable	1,320	1,377	1,938	2,161	2,328						
Accrued Exp.	-	-	-	-	-	Liquidity					
Short-term Borrowings	1,637	897	509	567	611	Current Ratio	1.7x	1.8x	1.8x	2.5x	2.6x
Curr. Port. of LT Debt	-	-	-	-	-	Quick Ratio	1.4x	1.3x	1.2x	1.9x	2.0x
Curr. Income Taxes Payable	-	-	-	-	-	Avg. Days Sales Out.	124.5	97.6	88.8	88.8	88.8
Unearned Revenue, Current	-	-	-	-	-	Avg. Days Inventory Out.	36.8	31.2	28.4	28.4	28.4
Other Current Liabilities	20	361	501	384	392	Avg. Days Payable Out.	81.8	76.1	79.2	89.6	91.4
Total Current Liabilities	2,977	2,636	2,948	3,112	3,331	Avg. Cash Conversion Cycle	98.5	74.8	59.0	59.8	59.9
Long-Term Debt	821	870	481	481	481	Net Debt to Equity	11%	3%	-	-	-
Def. Tax Liability, Non-Curr.	53	88	83	92	101						
Other Non-Current Liabilities	0	149	170	183	198	Growth Over Prior Year					
Total Liabilities	3,851	3,743	3,682	3,868	4,111	Total Revenue	18.6%	20.5%	27.8%	11.5%	7.7%
Common Stock	682	682	682	758	758	Net Income	22.4%	25.6%	76.9%	31.2%	13.1%
Additional Paid In Capital	-	-	-	-	-	Payout Ratio %	14.6%	17.4%	0.0%	30.9%	20.0%
Retained Earnings	2,893	3,484	4,556	7,597	9,103						
Treasury Stock	-	-	-	-	-						
Comprehensive Inc. and Other	-	-	-	-	-						
Minority Interest	156.8	257.7	247.5	213.7	175.5						
Total Equity	3,732	4,424	5,486	8,569	10,036						
Total Liabilities And Equity	7,583	8,166	9,168	12,437	14,148						

Sources: Company, CGIS Research

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