

16 Nov 2018

BUY
Maintain

业绩或超预期，盈利能力稳步提升

中国枫叶教育集团 (01317:HK)

Market Data: November 15, 2018

Closing Price (HK\$)	4.44
Price Target (HK\$)	7.73
HSCEI	10,555
HSCCI	4,273
52-week High/Low (HK\$)	7.50/3.09
Market Cap (USD Mn)	1,689
Market Cap (HK\$ Mn)	13,228
Shares Outstanding (Mn)	2,979
Exchange Rate (RMB-HK\$)	1.13

Price Performance Chart:



Source: Bloomberg

Analyst

Daniel Huang
A0230513030001
BDQ227
huangzhe@swsresearch.com

Related Reports

"CHINA MAPLE LEAF EDUCATIONAL SYSTEMS (1317:HK) – "Continued expansion" 30 Aug 2018

The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

Financial summary and valuation

	FY16	FY17	FY18E	FY19E	FY20E
Revenue (US\$m)	829.77	1,083.18	1,387.76	1,816.47	2,225.95
YOY (%)	27.07	30.54	28.12	30.89	22.54
Net income (US\$m)	307.56	413.72	528.84	713.26	983.63
YOY (%)	49.63	34.52	27.82	34.87	37.91
EPS (US\$)	0.12	0.15	0.19	0.24	0.33
Diluted EPS (US\$)	0.12	0.15	0.19	0.24	0.33
ROE (%)	15.21	16.54	19.27	22.51	26.20
Debt/asset (%)	37.34	43.37	44.15	46.21	46.80
Dividend Yield (%)	1.30	1.59	1.93	2.46	3.40
P/E (x)	34.03	25.50	21.00	16.44	11.92
P/B (x)	5.18	4.22	4.05	3.70	3.12
EV/EBITDA (x)	26.55	18.20	12.76	14.08	10.40

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

针对枫叶即将于 2018 年 11 月 27 发布的业绩报告，我们预计公司 18 财年将实现收入 14 亿元人民币，净利润 5.29 亿元人民币。基于 18 财年下半年超预期的招生人数，我们上调 18 财年每股盈利预测至 0.19 元（同比增长 26.7%，原预测为 0.18 元），维持 19 财年每股盈利预测 0.24 元（同比增长 26.3%），维持 20 财年每股盈利预测 0.33 元（同比增长 37.5%）。我们维持此前 7.73 港币的目标价，对应 74.1% 的上升空间，维持买入评级。

毛利率水平持续提升。基于招生人数的加速增长（春季学期招生增长 2100 人）以及诸如夏令营之类的服务收入的增加，我们预计公司 18 财年下半年将实现营收 7.56 亿元人民币（环比增长 19.6%），全年营业收入将从 17 财年的 11 亿元人民币上升到 18 财年的 14 亿元人民币（同比增长 28%）。随着下半年招生人数的增长，校园利用率将同步提升，从上半年的 58.9% 上升到 62.8%。受益于此，毛利率水平将进一步提升，从上年同期的 46.6% 上升到 52.7%。

利息收入表现强劲。随着公司的新股配售（2018 年 1 月 12 日募集 9.89 亿港元）以及 19 财年提前入账的学费收入，公司账上现金将大幅提升。因此，我们预计其他收入，尤其是利息收入将在下半年有显著的增长。我们预计计息资产将从 18 财年上半年的 20 亿上升到下半年的 26 亿人民币，带来约 1,470 万元利息收入。叠加其他非经常性损益，如其他应付账款的回拨，我们预计其他收入将在 18 财年下半年达到 1,300 万人民币（此前预测为负的 1,500 万人民币）。因此，我们预计公司的营业利润率将从 18 财年上半年的 41.1% 上升至下半年的 41.7%。

盈利能力向好。随着公司近期的业务扩张，我们预计校园容量将保持年均 12.3% 的增幅（在 20 财年达到 64,410 人），较招生人数的增长低 3.9 个百分点。因此，我们认为利用率将持续提升，从 18 财年的 63.1% 上升到 20 财年的 70.2%。我们预测毛利率将从 18 财年的 50% 上升到 20 财年的 54.7%，营业利润率从 18 财年的 41% 上升到 20 财年的 46.9%。

维持买入。未来社保费用的增加将对公司的盈利造成一定的影响，我们预计该项费用将在 19 财年增加 3800 万元，在 20 财年增加 7500 万元（详细测算请参考行业报告“社保征收标准提高影响有限，人力成本依旧可控”）。然而，我们认为政府仍将采取其他措施以避免包括教育行业在内的各行业的成本提升。基于 18 财年下半年超预期的招生人数，我们上调 18 财年每股盈利预测至 0.19 元（同比增长 26.7%，原预测为 0.18 元），维持 19 财年每股盈利预测 0.24 元（同比增长 26.3%），维持 20 财年每股盈利预测 0.33 元（同比增长 37.5%）。我们维持此前 7.73 港币的目标价，对应 74.1% 的上升空间，维持买入评级。

We expect Maple Leaf to report FY18E revenue of Rmb1.4bn and net profit of Rmb529m on 27 November 2018. Given stronger-than-expected enrolment growth in 2H FY18, we revise up our EPS forecast from Rmb0.18 to Rmb0.19 in FY18E (+26.7% YoY), while maintaining our forecasts at Rmb0.24 in FY19E (+26.3% YoY) and Rmb0.33 in FY20E (+37.5% YoY). Our target price is unchanged at HK\$7.73 and, with 74.1% upside, we maintain our BUY recommendation.

Improving gross margin. We expect the company's 2H FY18E revenue to reach Rmb756m (+19.6% HoH), on the back of accelerating enrolments (+c.2100 students during the spring semester) and revenue from student services, such as summer camps. As a result, we expect full-year revenue to grow from Rmb1.1bn in FY17 to Rmb1.4bn in FY18E (+28% YoY). As enrolments increased in 2H, utilisation also improved, from 58.9% in 1H FY18 to 62.8%, resulting in gross margin expansion, from 46.6% to 52.7% over the same period.

Strong interest income. We expect other income, especially interest income, to grow significantly in 2H, due to increasing cash on hand following the company's private placement (HK\$989m raised on 12 January 2018) and early tuition payments from students enrolled for FY19. We expect total interest-bearing assets to expand from Rmb2bn in 1H FY18 to Rmb2.6bn in 2H FY18E, resulting in Rmb14.7m of interest income. Together with non-recurring items, such as reversal of other payables, we expect other income to reach Rmb13m in 2H FY18E (vs our previous forecast: – Rmb15m). Therefore, we expect the firm's operating margin to rise from 41.1% in 1H FY18 to 41.7% in 2H FY18E.

Operating margin gains. Following the company's latest business expansion, we expect capacity to increase at an annual pace of 12.3% (reaching 64,410 by FY20E), albeit slower than its enrolment growth by 3.9ppts. As a result, we believe utilisation will continue to increase from 63.1% in FY18E to 70.2% in FY20E. We thus forecast gross margin to improve from 50% in FY18E to 54.7% in FY20E, and operating margin to rise from 41% in FY18E to 46.9% in FY20E.

Maintain BUY. The future increase in social security payments for the firm may impact our earnings projections, as we forecast additional payments of Rmb38m in FY19E and Rmb75m in FY20E (see our industry report "Change of rules" for more details). However, we think the government may also implement counter-measures to avoid additional costs for companies in all industries, including education. Given stronger-than-expected enrolment growth in 2H FY18, we revise up our EPS forecast from Rmb0.18 to Rmb0.19 in FY18E (+26.7% YoY), while maintaining our forecasts at Rmb0.24 in FY19E (+26.3% YoY) and Rmb0.33 in FY20E (+37.5% YoY). Our target price is unchanged at HK\$7.73 and, with 74.1% upside, we maintain our BUY recommendation.

Appendix

Consolidated Income Statement

US\$m	FY16	FY17	FY18E	FY19E	FY20E
Revenue	830	1,083	1,388	1,816	2,226
Cost of Sales	-428	-543	-695	-884	-1,008
Gross Profit	402	540	693	932	1,218
Other Income	73	94	75	87	127
Distribution expenses	-26	-30	-35	-45	-52
Administrative expenses	-122	-155	-165	-215	-249
EBITDA	377	509	642	833	1,128
EBIT	327	449	568	759	1,045
Finance Costs	0	-8	-9	-7	-7
Profit before tax	326	441	557	751	1,035
Income tax expense	-18	-27	-28	-38	-52
Minority interests	1	0	0	0	0
Profit for the year	308	414	529	713	984

Source: SWS Research

Consolidated Cash Flow Statement

US\$m	FY16	FY17	FY18E	FY19E	FY20E
Profit before taxation	326	441	557	751	1,035
Plus: Depr. and amortisation	49	60	73	74	83
Finance cost	17	24	29	36	50
Losses from investments	0	0	0	0	0
Change in working capital	179	212	454	523	542
Others	17	24	29	36	50
CF from operating activities	554	709	1,085	1,346	1,658
CAPEX	-217	-369	-369	-306	-238
Other CF from investing activities	-58	-98	-98	-82	-64
CF from investing activities	-275	-467	-467	-388	-302
Equity financing	0	0	0	0	0
Net change in liabilities	0	0	0	0	0
Dividend and interest paid	-129	-136	-168	-214	-289
Other CF from financing activities	0	0	0	0	0
CF from financing activities	-129	-136	-168	-214	-289
Net cash flow	150	107	451	744	1,068
FCFF	447	167	126	460	778
FCFE	80	251	491	828	1,208

Source: SWS Research

Consolidated Balance Sheet

US\$m	FY16	FY17	FY18E	FY19E	FY20E
Current Assets	1,285	1,744	1,795	2,559	3,649
Bank balances and cash	1,238	1,649	1,729	2,473	3,541
Trade and other receivables	0	0	0	0	0
Inventories	0	0	0	0	0
Other current assets	47	95	66	86	108
Long-term investment	12	338	307	177	0
PP&E	1,506	1,814	2,360	2,699	2,948
Intangible and other assets	424	520	450	454	458
Total Assets	3,226	4,417	4,912	5,890	7,055
Current Liabilities	1,184	1,566	1,834	2,376	2,941
Borrowings	0	117	0	0	0
Trade and other payables	381	441	533	680	815
Other current liabilities	803	1,008	1,301	1,696	2,125
Long-term liabilities	21	349	334	345	361
Total Liabilities	1,205	1,915	2,169	2,721	3,302
Minority Interests	0	72	0	0	0
Shareholder Equity	2,021	2,501	2,744	3,168	3,754
Share Capital	8	8	8	8	8
Reserves	2,013	2,421	2,735	3,160	3,745
Equity attributable	0	0	0	1	2
Total Liabilities and equity	3,226	4,417	4,912	5,890	7,055

Source: SWS Research

Key Financial Ratios

	FY17	FY18	FY19E	FY20E	FY21E
Ratios per share (yuan)					
Earnings per share	0.12	0.15	0.19	0.24	0.33
Diluted EPS	0.12	0.15	0.19	0.24	0.33
Operating CF per share	0.21	0.26	0.38	0.45	0.56
Dividend per share	0.05	0.06	0.08	0.10	0.13
Key Operating Ratios(%)					
Net assets per share	0.76	0.93	0.97	1.06	1.26
ROIC	18.8	20.6	23.4	29.0	37.2
ROE	15.2	16.5	19.3	22.5	26.2
Gross profit margin	48.4	49.8	50.0	51.3	54.7
EBITDA Margin	30.5	32.8	35.4	37.0	41.1
EBIT Margin	36.4	37.6	40.0	40.7	44.5
Growth rate of Revenue(YoY)	27.1	30.5	28.1	30.9	22.5
Growth rate of Profit(YoY)	49.6	34.5	27.8	34.9	37.9
Debt-to-asset ratio	37.3	43.4	44.1	46.2	46.8
Turnover rate of net assets	41.0	43.3	50.6	57.3	59.3
Turnover rate of total assets	25.7	24.5	28.2	30.8	31.5
Effective tax rate (%)	5.6	6.1	5.0	5.0	5.0
Dividend yield (%)	1.3	1.6	1.9	2.5	3.4
Valuation Ratios (X)					
P/E	34.0	25.5	21.0	16.4	11.9
P/B	5.2	4.2	4.0	3.7	3.1
EV/Sale	14.1	10.8	7.6	6.5	5.3
EV/EBITDA	26.5	18.2	12.8	14.1	10.4

Source: SWS Research

Information Disclosure:

The views expressed in this report accurately reflect the personal views of the analyst. The analyst declares that neither he/she nor his/her associate serves as an officer of nor has any financial interests in relation to the listed corporation reviewed by the analyst. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this report to any of the analyst, the Company or the group company(ies). A group company(ies) of the Company confirm that they, whether individually or as a group (i) are not involved in any market making activities for any of the listed corporation reviewed; or (ii) do not have any individual employed by or associated with any group company(ies) of the Company serving as an officer of any of the listed corporation reviewed; or (iii) do not have any financial interest in relation to the listed corporation reviewed or (iv) do not, presently or within the last 12 months, have any investment banking relationship with the listed corporation reviewed.

Undertakings of the Analyst

I (We) am (are) conferred the Professional Quality of Securities Investment Consulting Industry by the Securities Association of China and have registered as the Securities Analyst. I hereby issue this report independently and objectively with due diligence, professional and prudent research methods and only legitimate information is used in this report. I am also responsible for the content and opinions of this report. I have never been, am not, and will not be compensated directly or indirectly in any form for the specific recommendations or opinions herein.

Disclosure with respect to the Company

The company is a subsidiary of Shenwan Hongyuan Securities. The company is a qualified securities investment consulting institute approved by China Securities Regulatory Commission.

Releasing securities research reports is the basic form of the securities investment consulting services. The company may analyze the values or market trends of securities and related products or other relevant affecting factors, provide investment analysis advice on securities valuation/ investment rating, etc. by issuing securities research reports solely to its clients.

The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for the relevant disclosure materials or log into www.swsresearch.com for the analysts' qualifications, the arrangement of the quiet period and the affiliates' shareholdings.

Introduction of Share Investment Rating

Security Investment Rating:

When measuring the difference between the markup of the security and that of the market's benchmark within six months after the release of this report, we define the terms as follows:

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

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.

Industry Investment Rating:

When measuring the difference between the markup of the industry index and that of the market's benchmark within six months after the release of the report, we define the terms as follows:

Overweight: Industry performs better than that of the whole market;

Equal weight: Industry performs about the same as that of the whole market;

Underweight: Industry performs worse than that of the whole market.

We would like to remind you that different security research institutions adopt different rating terminologies and rating standards. We adopt the relative rating method to recommend the relative weightings of investment. The clients' decisions to buy or sell securities shall be based on their actual situation, such as their portfolio structures and other necessary factors. The clients shall read through the whole report so as to obtain the complete opinions and information and shall not rely solely on the investment ratings to reach a conclusion. The Company employs its own industry classification system. The industry classification is available at our sales personnel if you are interested.

HSCEI is the benchmark employed in this report.

Disclaimer:

This report is to be used solely by the clients of SWS Research Co., Ltd. (subsidiary of Shenwan Hongyuan Securities, hereinafter referred to as the "Company"). The Company will not deem any other person as its client notwithstanding his receipt of this report.

This report is based on public information, however, the authenticity, accuracy or completeness of such information is not warranted by the Company. The materials, tools, opinions and speculations contained herein are for the clients' reference only, and are not to be regarded or deemed as an invitation for the sale or purchase of any security or other investment instruments.

The clients understand that the text message reminder and telephone recommendation are no more than a brief communication of the research opinions, which are subject to the complete report released on the Company's website (<http://www.swsresearch.com>). The clients may ask for follow-up explanations if they so wish.

The materials, opinions and estimates contained herein only reflect the judgment of the Company on the day this report is released. The prices, values and investment returns of the securities or investment instruments referred to herein may fluctuate. At different periods, the Company may release reports which are inconsistent with the materials, opinions and estimates contained herein.

Save and except as otherwise stipulated in this report, the contactor upon the first page of the report only acts as the liaison who shall not provide any consulting services.

The clients shall consider the Company's possible conflict of interests which may affect the objectivity of this report, and shall not base their investment decisions solely on this report. The clients should make investment decisions independently and solely at your own risk. Please be reminded that in any event, the company will not share gains or losses of any securities investment with the clients. Whether written or oral, any commitment to share gains or losses of securities investment is invalid. The investment and services referred to herein may not be suitable for certain clients and shall not constitute personal advice for individual clients. The Company does not ensure that this report fully takes into consideration of the particular investment objectives, financial situations or needs of individual clients. The Company strongly suggests the clients to consider themselves whether the opinions or suggestions herein are suitable for the clients' particular situations; and to consult an independent investment consultant if necessary.

Under no circumstances shall the information contained herein or the opinions expressed herein forms an investment recommendation to anyone. Under no circumstances shall the Company be held responsible for any loss caused by the use of any contents herein by anyone. Please be particularly cautious to the risks and exposures of the market via investment.

Independent investment consultant should be consulted before any investment decision is rendered based on this report or at any request of explanation for this report where the receiver of this report is not a client of the Company.

The Company possesses all copyrights of this report which shall be treated as non-public information. The Company reserves all rights related to this report. Unless otherwise indicated in writing, all the copyrights of all the materials herein belong to the Company. In the absence of any prior authorization by the Company in writing, no part of this report shall be copied, photocopied, replicated or redistributed to any other person in any form by any means, or be used in any other ways which will infringe upon the copyrights of the Company. All the trademarks, service marks and marks used herein are trademarks, service marks or marks of the Company, and no one shall have the right to use them at any circumstances without the prior consent of the Company.

This report may be translated into different languages. The Company does not warrant that the translations are free from errors or discrepancies.

This report is for distribution in Hong Kong only to persons who fall within the definition of professional investors whether under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") or the Securities and Futures (Professional Investor) Rules (Chapter 571D of the laws of the Hong Kong under the SFO).

This report is for distribution in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) order 2001 (as amended) (the "Order") or (ii) are persons falling within Article 49(2)(a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc") of the Order (All such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons. Other Persons who are not Relevant Persons must not act or rely upon this document or any of its contents.

Distribution in Singapore

If distributed in Singapore, this report is meant only for Accredited Investors and Institutional Investors as defined under Section 4A of the Securities and Futures Act of Singapore. If you are not an Accredited Investor or an Institutional Investor, you shall ignore the report and its contents. The Singapore recipients of the report are to contact the Singapore office of Shenwan Hongyuan Singapore Private Limited at 65-6323-5208, or 65-6323-5209 in respect of any matters arising from, or in connection with, the report.