

2019年1月10日

买入  
维持

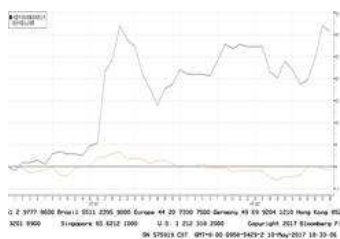
# 可转债发售助力并购，大学业务稳步扩张

宇华教育集团 (06169:HK)

## Market Data: January 10, 2019

Closing Price (HK\$)	2.83
Price Target (HK\$)	7.5
HSCEI	10,395
HSCCI	4,243
52-week High/Low (HK\$)	6.34/2.67
Market Cap (USD Mn)	1,184
Market Cap (HK\$ Mn)	9,240
Shares Outstanding (Mn)	3,265
Exchange Rate (RMB-HK\$)	1.13

## Price Performance Chart:



Source: Bloomberg

## Analyst

**Daniel Huang**  
A0230513030001  
BDQ227  
huangzhe@swsresearch.com

## Financial summary and valuation

	FY17	FY18	FY19E	FY20E	FY21E
Revenue (US\$m)	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 (US\$m)	313.80	588.23	791.12	940.14	1,096.21
YOY (%)	0.68	87.45	34.49	18.84	16.60
EPS (US\$)	0.12	0.17	0.22	0.27	0.31
Diluted EPS (US\$)	0.12	0.16	0.22	0.27	0.31
ROE (%)	12.67	15.65	23.26	21.55	20.00
Debt/asset (%)	26.59	38.70	34.89	28.30	25.19
Dividend Yield (%)	3.30	3.80	4.72	5.48	6.36
P/E (x)	20.76	15.15	11.18	9.42	8.05
P/B (x)	2.63	2.14	2.40	1.87	1.49
EV/EBITDA (x)	18.92	9.01	7.37	5.60	4.25

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

宇华教育发行本金总额 9.4 亿港币的可转债，转换价较 1 月 9 日收盘价溢价 7.96%，债券利率为 3%。转股后预计将扩大公司股本约 8.63%。公司计划使用本次募集资金以及自有的 22 亿现金为资金来源支撑未来的收购计划（预计为海外并购项目）。我们维持公司每股盈利预测不变，2019 财年 0.22 元（同比增长 37.7%），2020 财年 0.27 元（同比增长 20.4%），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 165% 的上升空间，维持买入评级。

卖出策略。我们注意到 30% 的可转债认购方为对冲基金。该基金在债券发行后立即向股东借入股票并在市场上出售，以实现其无风险套利的策略。美银美林作为宇华本次可转债发行的唯一全球协调人和账簿管理人，帮助该对冲基金寻求出售相应的买家（以 1 月 9 日收盘价折价 10% 出售）。

并购业绩出众。受益于公司对湖南涉外经济学院（HEIU）的成功收购以及后续的优化运营，我们预计湖南涉外将在 19 财年贡献 1.41 亿元人民币的利润，占公司 19 年总利润的 18%（湖南涉外 17 年利润仅为 4500 万元人民币）。因此，我们维持公司 19 财年同比 30.9% 的增速预测。

海外扩张。根据 2018 年 8 月 10 日送审稿的描述，国内监管机构计划禁止对非营利性学校的并购行为，民办学校将只考虑收购其他营利性学校。然而，由于目前政策层面仍缺乏关于营利性学校转设的详细规定，国内并购市场已陷入停滞状态。而宇华近一年来一直在积极寻找海外并购标的。我们认为未来的潜在收购将对公司的盈利带来积极的影响。

维持买入。我们预计未来并购扩张的推进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 37.7%），2020 财年 0.27 元（同比增长 20.4%），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 165% 的上升空间，维持买入评级。

China Yuhua Education issued HK\$940m worth of convertible bonds with a conversion premium of 7.96% and interest rate of 3% per annum. We note a conversion would increase the number of shares outstanding by 8.63%. The company intends to use the proceeds together with its Rmb2.2bn of cash on hand to finance future acquisitions, most likely overseas higher education institutions. We maintain our diluted EPS forecasts of Rmb0.22 in FY19E (+37.5% YoY), Rmb0.27 in FY20E (+22.7% YoY), and Rmb0.31 in FY21E (+14.8% YoY). Our target price is unchanged at HK\$7.50. With 165% upside, we maintain our BUY recommendation.

Short-selling. We note c.30% of the convertible bonds were issued to hedge funds, which borrowed stocks from shareholders and sold them in the market immediately after the convertible bond issue, as part of their delta-neutral strategy. Bank of America Merrill Lynch, the sole global coordinator and sole bookrunner for Yuhua's convertible bond issue, helped the hedge funds find buyers for the shares they planned to sell (executed at a c.10% discount to the closing price on 9 January).

Successful acquisition. Thanks to the successful acquisition of Hunan Economics International University (HEIU) and optimisation of the university's operations, we expect HEIU to contribute profit of Rmb141m only two years after Yuhua's acquisition, accounting for 18% of the firm's total profit in FY19E (we note HEIU's net profit was only Rmb45m in 2017). As a result, we maintain our profit growth forecast at 30.9% YoY in FY19E.

Looking for overseas targets. With Chinese regulators planning to prohibit mergers and acquisitions (M&A) with not-for-profit schools, as stipulated in a 10 August 2018 draft legislation, private schools are only considering acquiring other for-profit schools. However, due to the lack of detailed guidance on for-profit school registration, the domestic M&A market has come to a standstill. As a result, Yuhua has been proactively looking for overseas targets for nearly a year now. We believe future acquisitions will have a positive impact on the firm's earnings growth.

Maintain BUY. We expect the company to deliver significant earnings growth on the back of future acquisitions. We maintain our diluted EPS forecasts of Rmb0.22 in FY19E (+37.5% YoY), Rmb0.27 in FY20E (+22.7% YoY), and Rmb0.31 in FY21E (+14.8% YoY). Our target price is unchanged at HK\$7.50. With 165% upside, we maintain our BUY recommendation.

## Appendix

### Consolidated Income Statement

US\$m	FY17	FY18	FY19E	FY20E	FY21E
<b>Revenue</b>	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	694	928	1,063	1,198
EBIT	308	579	812	945	1,080
Finance Costs	-10	-11	-13	-9	-6
<b>Profit before tax</b>	314	592	791	940	1,096
Income tax expense	0	-4	0	0	0
Minority interests	0	57	60	73	81
<b>Profit for the year</b>	314	588	791	940	1,096

Source: SWS Research

### Consolidated Cash Flow Statement

US\$m	FY17	FY18	FY19E	FY20E	FY21E
Profit before taxation	314	592	791	940	1,096
Plus: Depr. and amortisation	75	114	116	118	118
Finance cost	-5	-13	-20	-24	-41
Losses from investments	0	0	0	0	0
Change in working capital	133	659	-81	245	120
Others	-11	-12	-13	-9	-6
CF from operating activities	516	750	794	1,270	1,288
CAPEX	-88	-58	-50	-50	-25
Other CF from investing activities	-988	-504	32	33	47
CF from investing activities	-1,076	-562	-18	-17	22
Equity financing	1,362	0	0	0	0
Net change in liabilities	-315	365	-529	0	0
Dividend and interest paid	-97	-239	-385	-448	-520
Other CF from financing activities	-37	0	0	0	0
CF from financing activities	877	764	-915	-448	-520
Net cash flow	316	951	-138	804	790
FCFF	333	-873	635	1,161	1,309
FCFE	7	-356	92	1,152	1,303

Source: SWS Research

### Consolidated Balance Sheet

US\$m	FY17	FY18	FY19E	FY20E	FY21E
<b>Current Assets</b>	1,641	2,306	1,446	2,255	3,048
Bank balances and cash	643	1,593	1,418	2,223	3,013
Trade and other receivables	13	27	28	33	35
Inventories	0	0	0	1	2
Other current assets	986	686	0	-1	-2
<b>Long-term investment</b>					
PP&E	1,477	2,240	2,229	2,167	2,078
Intangible and other assets	256	1,586	1,549	1,663	2,199
<b>Total Assets</b>	3,375	6,132	5,224	6,085	7,326
<b>Current Liabilities</b>	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	350	0	0
<b>Total Liabilities</b>	897	2,373	1,823	1,722	1,845
Minority Interests	0	0	0	1	2
<b>Shareholder Equity</b>	2,477	3,759	3,401	4,363	5,481
Share Capital	0	0	0	0	0
Reserves	517	583	612	1,073	1,610
Equity attributable	642	762	637	1,117	1,676
<b>Total Liabilities and equity</b>	3,375	6,132	5,224	6,085	7,326

Source: SWS Research

### Key Financial Ratios

	FY17	FY18	FY19E	FY20E	FY21E
<b>Ratios per share (yuan)</b>					
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	0.24	0.39	0.40
Dividend per share	0.08	0.10	0.12	0.14	0.16
<b>Key Operating Ratios(%)</b>					
Net assets per share	0.96	1.17	1.05	1.34	1.68
ROIC	20.26	24.70	23.91	27.45	32.74
ROE	12.67	15.65	23.26	21.55	20.00
Gross profit margin	51.49	56.12	56.82	60.29	62.88
EBITDA Margin	47.21	59.72	58.83	62.93	66.11
EBIT Margin	38.32	50.16	51.42	55.99	59.69
Growth rate of Revenue(YoY)	8.31	41.23	30.85	8.42	8.94
Growth rate of Profit(YoY)	0.68	87.45	34.49	18.84	16.60
Debt-to-asset ratio	26.59	38.70	34.89	28.30	25.19
Turnover rate of net assets	34.16	31.79	45.98	38.86	33.70
Turnover rate of total assets	25.08	19.49	29.93	27.86	25.21
Effective tax rate (%)	0.00	0.63	0.00	0.00	0.00
Dividend yield (%)	3.30	3.80	4.72	5.48	6.36
<b>Valuation Ratios (X)</b>					
P/E	20.76	15.15	11.18	9.42	8.05
P/B	2.63	2.14	2.40	1.87	1.49
EV/Sale	8.93	5.38	4.34	3.53	2.81
<b>EV/EBITDA</b>	18.92	9.01	7.37	5.60	4.25

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](mailto:compliance@swsresearch.com) for the relevant disclosure materials or log into [www.swsresearch.com](http://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. HSCFI 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.