AIMA Technology

Bloomberg: 603529 CH Equity | Reuters: 603529.SS

DBS Group Research . Equity 1 June 2022

BUY (Initiating Coverage)

Last Traded Price (30 May 2022):RMB55.36(CSI300 Index : 4,029)

Price Target 12-mth:RMB71.00 (28.3% upside)

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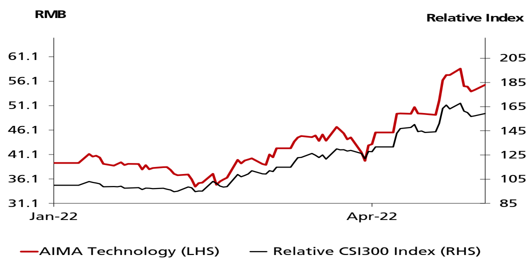
Price Relative



Forecasts and Valuation

FY Dec (RMBm)	2020A	2021A	2022F	2023F
Turnover	12,905	15,399	20,062	24,966
EBITDA	816	722	1,162	1,436
Pre-tax Profit	779	758	1,159	1,474
Net Profit	599	664	1,026	1,301
Net Pft (Pre Ex) (core	599	664	1,026	1,301
Net Profit Gth (Pre-ex)	14.8	10.9	54.5	26.8
EPS (RMB)	1.77	1.64	2.54	3.22
Core EPS (RMB)	1.77	1.64	2.54	3.22
EPS Gth (%)	14.8	(6.9)	54.5	26.8
Core EPS Gth (%)	14.8	(6.9)	54.5	26.8
Diluted EPS (RMB)	1.77	1.64	2.54	3.22
DPS (RMB)	0.00	0.00	0.00	0.00
BV Per Share (RMB)	7.77	12.32	14.87	18.09
PE (X)	31.3	33.7	21.8	17.2
CorePE (X)	31.3	33.7	21.8	17.2
P/Cash Flow (X)	16.2	10.7	4.7	9.3
P/Free CF (X)	16.0	12.1	5.0	11.1
EV/EBITDA (X)	20.9	25.3	11.9	8.2
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	7.1	4.5	3.7	3.1
Net Debt/Equity (X)	(0.6)	(0.8)	(1.4)	(1.5)
ROAE(%)	25.7	17.5	18.7	19.6
Earnings Rev (%):			New	New
Consensus EPS (RMB)			2.65	3.34
Other Broker Recs:		B:5	S:0	H:0

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Taking advantage of channel expansion & product upgrade

- Top player with continuous growth in market share & revenue
- Riding on the dual drivers of sales channel expansion and product upgrades
- Earnings growth to gain momentum with 3-year CAGR of 25%
- Initiate coverage with BUY and TP of Rmb71

Market leader continues to outperform. Aima is one of the top two electric two-wheeler companies in China with a high brand reputation and wide range of product lines. Steady improvement in profitability and a strengthening of its leading position can be expected, given increased replacement demand driven by the new national EV standard in China, promotion of low-carbon transportation in line with the country's carbon neutrality goals, and continuing domestic industry consolidation.

Profitability improvement from channel expansion & product upgrade Aima will further reinforce its leading position through rapid channel expansion (2,000+ distributors and 20,000+ POSs by end-2021) and product innovation underpinned by strengthened R&D efforts. We expect the company's product portfolio upgrades and average price hikes to contribute towards improved profitability (1Q22 NPM +3.9% q-o-q to 6.9% and drive a net income growth of more than 50% y-o-y in 2022). Meanwhile, new brands and overseas markets will provide further potential for a growth upside.

Valuation:

Aima's outstanding 1Q2022 financial report shows it has successfully passed through raw material cost pressure by raising its selling prices, which will lead to rising earnings visibility. Compared with similar electric two-wheeler companies, we assign a 22x 2023E PE to derive a TP of Rmb71, corresponding to a market cap of Rmb28.6bn, and initiate coverage with a BUY rating.

Key Risks to Our View:

1) Price competition, 2) policies which may restrict or prohibit the right of way for electric two-wheelers, and 3) lower-than-expected replacement demand driven by new national standards.

At A Glance

Issued Capital (m shrs)	404
Mkt Cap (RMBm/US$m)	22,365 / 3,358
Major Shareholders (%)	
Zhang (Jian)	68.8
Free Float (%)	31.2
3m Avg. Daily Val. (US$m)	20.97
GICS Industry: Consumer Discretionary / Automobiles & Components	

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Investment Summary

Top player with continuous growth in market share and revenue.

Aima is one of the earliest electric two-wheeler brands in China, ranking within the top two brands by market share. Currently, it generates revenue mainly in the Chinese domestic market, which accounted for about 99% of total revenue in the past four years. Aima achieved revenue of Rmb15.4bn in 2021 (+19.3% y-o-y) – electric bicycles and electric motorcycles contributed 46% and 44%, respectively. Due to robust market demand, increased industry concentration, and its own product competitiveness, Aima has seen a continuous growth in earnings, reporting more than a 15% growth in its top line for five consecutive years. Since 2017, the gross profit margin (GPM) of its main business has remained stable at more than 10%.

Expansion of market demand and market share concentration.

The industry has been expanding due to multiple tailwinds in the form of policy-driven replacement demand, the launch of shared motorcycles, increased food delivery, and changes in travel habits in the post-pandemic era. We expect the sales volume of the industry to rise to 64m units in 2023. Besides, the new national standard has raised entry and technical barriers, which will accelerate the exit of low-end production capacity. Strict regulations such as "one invoice per vehicle" and "no access to residential buildings" will limit the production and use of non-compliant vehicles, creating sufficient room for the promotion of the new national standard and accelerating the increase in industry concentration. According to data from the China Bicycle Association, the combined market share of Yadea and Aima – the two top players – increased from 32.3% in 2019 to 46.7% in 2020 and the CR5 stood at 67% in 2020. Aima has been ranking within the top two in the market and thus boasts obvious market share advantages. We expect the company to continue to benefit from the industry boom.

In overseas markets, Southeast Asia is the main source of demand for motorcycles in the world. At present, the total population of Southeast Asian countries is c.680m and it is roughly estimated that there are 106 motorcycles per thousand people (50% that of China). The size of the electric two-wheeler market in Southeast Asia is expected to reach 71m.

Riding on the dual drivers of sales channel expansion and technology.

Sales channel: Aima has an extensive sales and marketing network. By the end of 2021, the company had over 2,000 distributors. It gives full play to its channel advantages, builds a unified brand image through strict control of stores, and maintains its cash flow with strong bargaining power along the industry chain. After the IPO, the company further strengthened its sales network, and increased the number of offline POSs to over 20,000 in 2021, gradually building its channels into a strong competitive moat.

Technology: To build differential competitive advantages, the company abandoned the traditional ride-sharing strategy and launched a number of self-developed products with market-leading technological indicators, including the A500. By the end of 2021, the company obtained 1,217 patents in China, including 13 invention patents, 301 utility model patents, and 903 appearance design patents. Moreover, the company cooperates with top suppliers in the industry to cut the costs of research and development on the premise of ensuring product quality.

Outstanding brand and service advantages help foray into promising charging and battery swapping services market.

The company conveys its young brand image throughout the whole manufacturing process, from R&D to sales. Aima has won first place in the electric bicycle industry, as per the Chinese Brand Power Index (C-BPI) issued by Chnbrand, for 10 consecutive years. In addition to promoting its main brand Aima, it launched a multi-brand strategy targeting low-tier city markets and the Gen Z population. Aima has also set a new service benchmark, reflecting impressive product performance at affordable costs. Brand and service have been Aima's core competitive advantages. The company's market share in terms of sales was 19.2% in 2020, showing an uptrend in recent years. At the same time, the company started to build three energy supply networks for battery swapping, fast charging, and community-based charging services so as to enter the e-bike aftermarket with innovative service models and build a product-service ecosystem. As its brand and service strengths extend to the battery swapping segment, the company's market share will likely rise.

Valuation & Peers Comparison

The consistent promotion of the new national standard (for electric bikes) is beneficial to the firm, given its leading position in the two-wheeler industry. In addition, the company has accelerated the construction of its marketing channels, strengthened independent R&D capabilities, and implemented a multi-brand strategy and high-quality services, alongside the effective adjustment of the management team.

We expect Aima to achieve rapid revenue growth (CAGR of 27.33%) and rising earnings visibility in 2022-2023. The industry landscape has been further optimised with the promotion of multiple policies. Aima's outstanding 1Q2022 financial report shows it has successfully passed through raw material cost pressure by raising its selling prices, which will lead to rising earnings visibility.

Compared with similar electric two-wheeler companies, we assign a 22x 2023E PE to derive a TP of Rmb71, corresponding to a market cap of Rmb28.6bn, and initiate coverage with a BUY rating.

Peers comparison

		Price	Mkt Cap	Revenue (RMB mn)			Net Inocome (RMB mn)			P/E		
Company	Ticker	(Local $)	(RMB bn)	FY21A	FY22E	FY23E	FY21A	FY22E	FY23E	FY21A	FY22E	FY23E
AIMA Technology	603529.SH	55.4	33.5	15,399	20,062	24,966	664	1,026	1,301	33.7	21.8	17.2
Ninebot	689009.SH	42.8	29.8	9,146	11,931	16,427	411	765	1,308	73.8	39.6	23.2
Yadea Group	1585.HK	13.1	35.5	26,968	33,170	38,709	1,369	1,802	2,329	23.3	17.7	13.7
NIU Technologies	NIU.O	7.7	3.8	3,705	4,429	6,918	226	278	457	17.6	14.3	8.7
Joy Kie	300994.SZ	30.5	5.9	3,710	4,706	6,013	205	297	410	28.8	19.9	14.4
Average										35.4	22.7	15.4

Source: Thomson Reuters, DBS HK

Key Risks

Increased competition in the industry. On the one hand, large-scale manufacturers intensified competition in the market as a result of continuously reducing sales prices, improving product performance, and ensuring service coverage to seize the market; on the other hand, there are many small and medium-sized enterprises in the industry occupying various regional markets. In such a highly competitive industry, a sudden slowdown in demand could lead to aggressive price competition and the duration and intensity of vicious price wars may exceed estimations.

Managing risks from multi-channel resellers. Distributors are not only the company's direct customers but also an important window through which the company sells its products, provides services, and displays its brand image to other consumers. As of end-2021, the company had more than 2,000 distributors. If the dealer's service quality and daily operation method are contrary to the company's brand operation purpose, it will have an adverse impact on the company's business performance and brand image.

Market demand is lower than expected. The effect of the implementation of the new national standard may be lower than expected, resulting in a slower update cycle. Meanwhile, the regulation of shared bikes may lead to lower-than-expected demand.

Risk from equity ownership concentration. The actual controller of the company, Zhang Jian, holds 68.78% of the company's shares and an absolute controlling position. Although the company has established a series of systems, such as related-party transactions, external investment, external guarantee, and an independent director system, to protect the rights and interests of small and medium investors, there may still be risks of Zhang taking advantage of his controlling position to exercise his voting rights to shape the company's business decisions; additionally, any profit interventions in major matters such as distribution and foreign investment may harm the interests of other shareholders of the company.

SWOT Analysis

Strengths

- One of the earliest electric two-wheeler brands in China, ranking within the top two by market share
- Extensive marketing network builds competitive barriers
- Solid balance sheet and cash flow position
- Relatively low expense ratio

Weaknesses

- Relatively low revenue growth in the past three years; the gap with the top one in the industry has widened
- The average product unit price is low, and the proportion of high-end products is relatively low
- R&D spending was lower than Yadea, the other industry leader

Opportunities

- Multiple tailwinds including policy-driven replacement demand, launch of shared motorcycles, increased food delivery, and changes in travel habits in the post-pandemic era
- Increasing industry concentration and own product competitiveness
- Potential for penetration of high-end e-motorcycles and Li e-scooter
- Great potential in overseas expansion, especially in Southeast Asia

Threats

- Fierce competition from other manufacturers
- Effect from the implementation of the new national standard falling short of expectations
- Managing risks from more than 2,000 multi-channel distributors

Source: DBS HK

Critical Factors

Improving gross margin. Aima's gross margin decreased from 13.1% in 2018 to 11.4% in 2020, largely driven by:

1) The increasingly fierce competition in the domestic market. In this backdrop, the company has increased sales promotions in order to seize market opportunities.

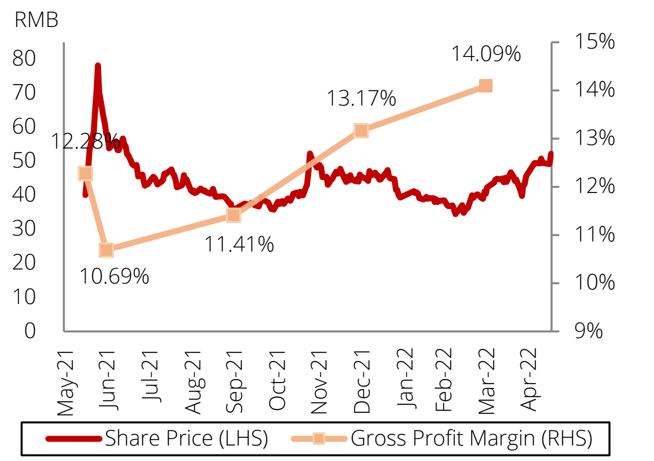
2) Increase in raw material costs, including that of batteries, electric motors, and other parts and frames, which may reduce GPM.

GPM has shown a solid improvement since 4Q2021, as GPM for 2021/1Q22 widened to 11.7%/14.1%, respectively. We believe the growth is driven by: 1) An increased proportion of higher ASP products, which was achieved by raising the selling price and launching high-end products; 2) higher economies of scale, as sales volume continues to grow; and 3) effective cost control.

We expect Aima's e-bike ASPs to increase by a 2% CAGR in 2022-2025 (vs. the industry trend of 1% in the same period), thanks to 1) increasing sales of its higher end model and easing competition and 2) the elimination of disadvantaged players in the industry and the fall of raw material prices.

Additionally, as the company's production and sales scales further increased, which led to the dilution of fixed costs, it saw an improvement in its GPM and may also see an improvement in its NPM moving forward.

Gross margin vs. share price trend



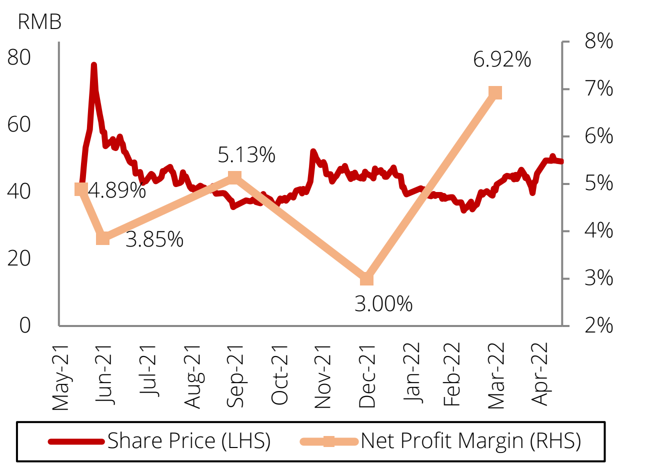
Source: Company, DBS HK

Increased net profit margin thanks to operating leverage. In 2021, the company's net income to parent reached Rmb664m, with a 10.9% y-o-y growth rate and 15.7% CAGR during the past four years, mainly benefiting from the burgeoning overall market demand and industry concentration, driven by the new national standard. Net profit grew at a slower rate in 2021, due to the rising prices of raw materials such as metals and steel, as well as the company's increased investment in channel construction and brand building.

Since 4Q2021, the company has seen robust growth in net profit. Thanks to its operating leverage, net profit for 4Q2021/1Q22 surged 10.8x y-o-y/109% y-o-y to Rmb86m/Rmb317m, respectively.

In the future, we expect the net profit to rise, driven by 1) a larger market share resulting from the company's efforts on channel expansion and 2) higher ASP of innovative products.

Net margin vs. share price trend

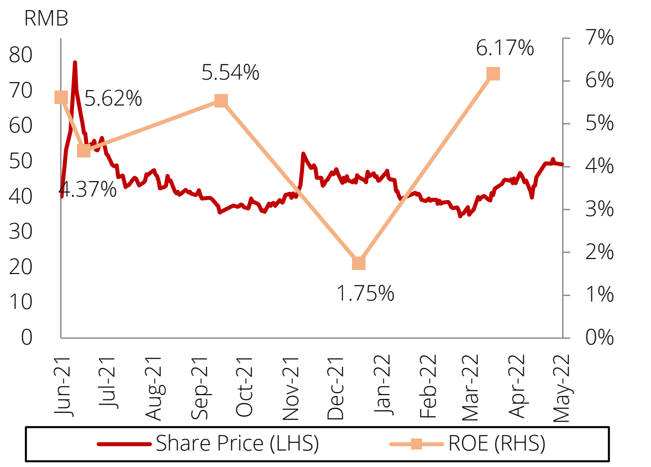


Source: Company, DBS HK

ROE to rebound because of profitable growth. From 2017 to 2020, the company's ROE stabilised at a high level of over 25%. Meanwhile in 2021, ROE declined by 8% y-o-y to 17.5%, mainly impacted by the deteriorating net profit margin.

In the future, we expect ROE to improve, supported by 1) an increase in the net profit margin, as the company's profitability will be enhanced after the easing of any price wars; and 2) accelerating asset turnover, as revenue growth will exceed asset volume growth.

ROE vs. share price trend



Source: Company, DBS HK

Financials

Steady revenue growth. The company's total revenue in 2021 rose 19.33% y-o-y to Rmb15.4bn, driven by both an ASP increase (+Rmb50-100 per unit y-o-y) due to product mix improvement and solid sales volume growth through aggressive channel expansion. By product, sales revenue of e-bikes and e-motorcycles grew 18% y-o-y to Rmb14bn, sales revenue of e-three-wheelers grew 94% y-o-y to Rmb655mn, and sales of accessories/bikes were +21% y-o-y/-72% y-o-y. The trends in ASP and sales volume continued into 1Q22, leading to the 47% y-o-y growth in quarterly revenue.

Due to robust overall market demand, **increasing industry concentration**, and Aima's product competitiveness, it has seen continuous earnings growth, reporting more than 15% in top-line growth for five consecutive years.

At present, the company's revenues mainly come from the Chinese market. In the last three years, its domestic revenue ratio was about 99%. Therefore, the company has great growth potential in **overseas markets**. In 2021, the company focused on overseas mainstream product tracks and incubated short-trip products such as Pedelec. In 2021, overseas revenue increased 68% y-o-y to Rmb172m.

GPM widened in 2021 after decline. Aima's gross margin decreased from 13.1% in 2018 to 11.4% in 2020, largely driven by: 1) Fierce competition in the domestic market, as a result of which the company has increased sales promotions so as to seize market opportunities; and 2) an increase in raw material costs, including that of batteries, electric motors, and other parts and frames; the rising prices of raw materials also reduced its GPM. From 2021, the company increased the proportion of its higher ASP products by raising the selling price and launching high value-added products such as the Engine Max product series. As a result, despite the rise in raw material costs, GPM for 2021/1Q22 widened to 11.7%/14.1%, up 0.3ppt/1.8ppt y-o-y, respectively.

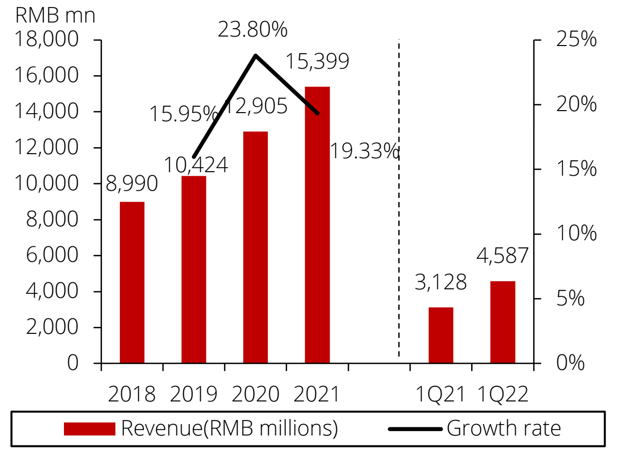
Excellent cost control capabilities, and R&D expenditures continue to increase. Aima's expense ratio was lower than that of the industry, reflecting its excellent expense control ability. From 2018 to 2021, Aima's operating and interest expense ratios were 6.9%, 6.7%, 6.0%, and 6.6% lower than Yadea's in the same industry (11.0% in 2021), for each respective year. With Aima's business growth, improvement in operating efficiency, and advantages of economies of scale, selling/administrative expenses as a percentage of revenue in 1Q22 dropped by 0.59ppt/0.51ppt, respectively.

In terms of net profit, Aima's overall net profit changes are in line with gross profit. At present, the e-bike industry has entered the stage of industry consolidation. Its scale advantage and leading position enable the company to achieve rapid R&D and mass production, control costs, continuously occupy a favourable market position, as well as eliminate bottom-tier enterprises. Thanks to its operating leverage, the company's 1Q22 net profit surged 109% y-o-y to Rmb317m, and NPM significantly improved 2.06ppt y-o-y/3.93ppt q-o-q to 6.92%.

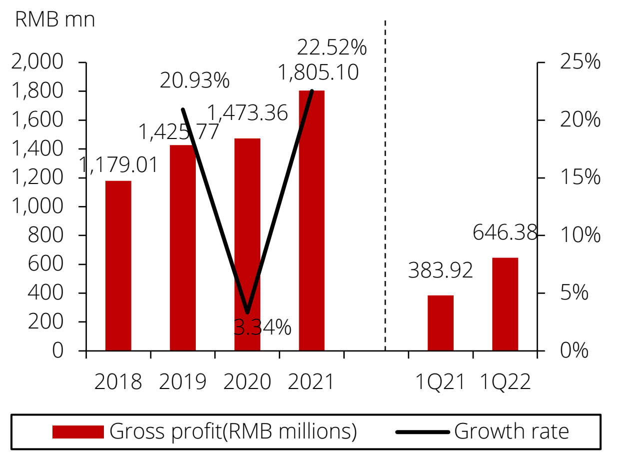
In the future, we expect Aima's e-bike ASPs to increase by a 2% CAGR in 2022-25, thanks to increasing sales of its higher end models and easing competition. The company's scale advantage will be further enhanced; with the elimination of disadvantaged players and the reduction in raw material prices, the company may see improvements in both its GPM and NPM.

Net cash position. As of 31 Mar 2022, Aima had a net cash position of Rmb3.7bn. Its operating cash flow in 1Q22 was Rmb992m, up 3.9x y-o-y.

Revenue (RMB m)

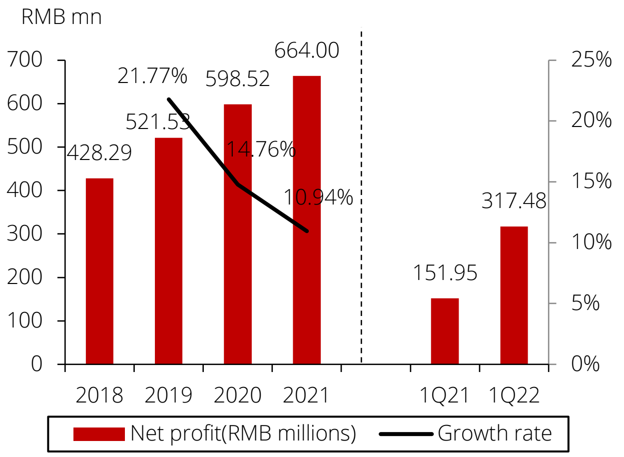


Gross profit (RMB m)



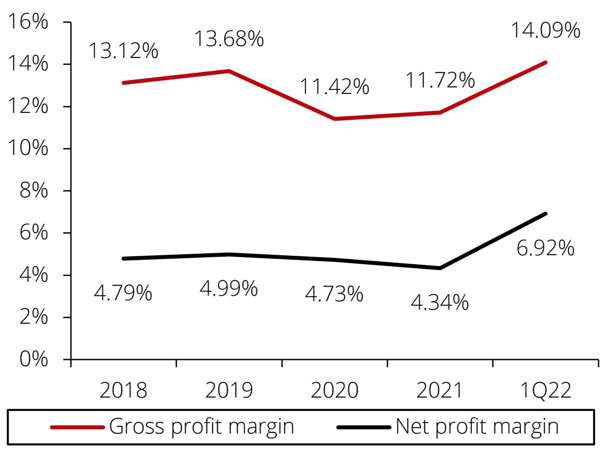
Source: Company, DBS HK

Net profit (RMB m)



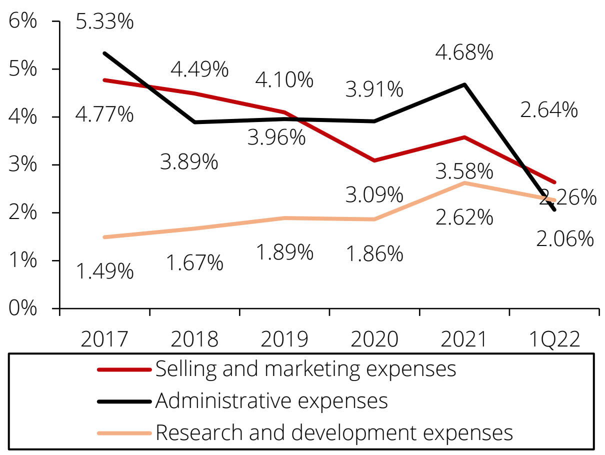
Source: Company, DBS HK

Gross profit margin and net profit margin trend



Source: Company, DBS HK

Operating expenses as percentages of total revenue



Source: Company, DBS HK

Environment, Social & Governance (ESG)

Environment. Since inception in 2009, Aima has been increasingly emphasising the importance of environmental protection. Aima suffered several penalties due to environmental issues in the past. After that, various environmental protection management systems were implemented at all organisational levels. From 2018 to 2021, Aima invested nearly Rmb100m in environmental protection, mainly for upgrading and maintaining facilities as well as the disposal of daily pollutants. Furthermore, in 2019, Aima cooperated with the China Green Foundation to create forests, and provided aid for that purpose. It participates in the “Happy Homeland – Western China Greening Action” public welfare project to boost ecological poverty alleviation. Aima also commits to continue planting trees every year to further strengthen forest construction.

Social. Aima helps to fight poverty and revitalise the countryside. It actively supported the construction of the “Three Rural Issues” in Zhen Yuan County, Gansu province through donations and the provision of employment opportunities. Aima Henan actively liaised with the labour bureau in Shangqiu to supply jobs for women to support local development. Aima Guangxi constructed cement roads for the Zhongli village, Zhongli township, Guigang district, and Guangxi province to promote the local economy.

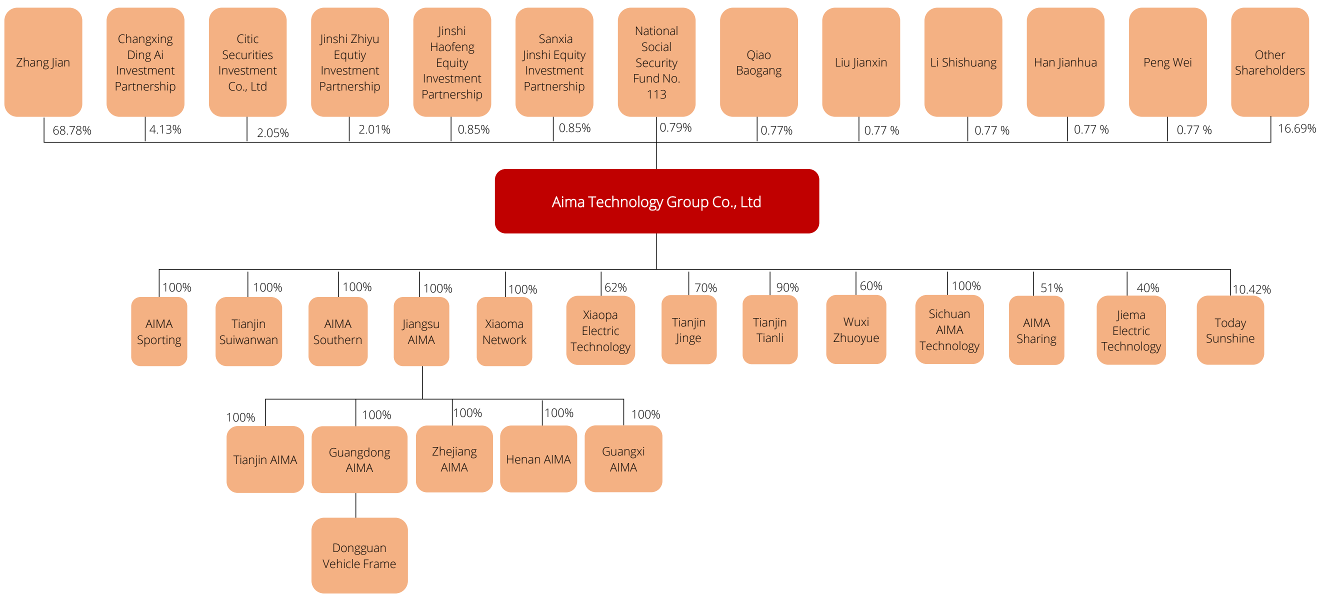
Governance. Aima continues to improve the mechanisms of its human resources. Outstanding talents are expected to get a suitable promotion channel, so that they will have a platform to perform and make the best use of their talents. For suppliers and partners, Aima will invest more funds in perfecting the supply chain platform to enhance cooperation and improve efficiency. However, the actual controllers hold more than two-thirds of the equity, showing a very concentrated ownership structure. The actual controllers of Aima are father and daughter duo Zhang Jian and Zhang Gege. Although Aima has established a series of systems such as related-party transactions, external investment, external guarantee, and an independent director system, to protect the rights and interests of small and medium investors, there may still be risks where Zhang can take advantage of his controlling position to exercise his voting rights to shape Aima's business decisions.

Company Background

Corporate history. Aima is one of the earliest electric two-wheeler brands in China, ranking among the top two in China by market share. Currently, it generates revenue mainly in the domestic market, which accounts for about 99% of its revenue in the past three years.

As mentioned, the actual controllers of Aima are Zhang Jian and Zhang Gege, who are father and daughter. As of the publication date of its FY21report, the actual controller holds 69.90% of the equity.

Shareholders' structure



Source: Company, DBS HK

Management & Strategy

Key Management Team

Name	Position	Description
Zhang Jian	Founder, chairman of the board, and chief executive officer	Zhang Jian founded Tianjin Taimei Vehicle Co., Ltd. in 1999 and then renamed the company as Aima Technology Group Co., Ltd. in 2009. Currently, he is the chairman of the board of directors and chief executive officer of the company. He is mainly responsible for the management and formulation of long-term development strategies. He also serves as a director or independent director in a number of companies, most of which are controlled by the company. Prior to that, from December 2006 to October 2008, he was an executive director of Tianjin Qiyu, which is a smart hardware startup, and a director of Sanshang Investment.
Duan Hua	Co-founder and vice chairman	Duan Hua is the wife of Zhang and is one of the co-founders of the company. She has served as vice chairman of the company since January 2015.
Zhang Gege	Director	Zhang Gege is the daughter of Zhang Jian and Duan Hua. She joined the company in 2011 and has served as assistant to the general manager and secretary to the chairman, during which she was mainly responsible for administrative and secretarial matters. She is also currently the executive director and general manager of 311 Media, a marketing services company based in China. And now, she is mainly responsible for the operation and management of 311 Media.
Peng Wei	Director	Peng Wei has served as a director of the company since January 2015. Prior to that, he was the general manager of an electric vehicle company based in China and the general manager of Aima Sports, a subsidiary of the company which specialises in sporting goods.
Liu Jianxin	Director	Liu Jianxin has been a director of the company since January 2015. He is also a supervisor of Sanshang Investment. Prior to that, Liu was the safety officer of the company, the deputy general manager of an electric vehicle company based in China, and the director and general manager of a packaging material company.
Fang Hao	Director	Fang Hao was appointed a director of the company in November 2017, due to the introduction of new investors. He is also the general manager and director of CITIC Securities Investment Co., Ltd. and serves as a director in a number of companies including China National Gold Group Gold Jewellery Co., Ltd. (SHA: 600916). Prior to that, from 2000 to 2017, Fang served as director, executive general manager, and managing director in the Investment Banking Department of CITIC Securities Co., Ltd.; and from 2017 to 2019, he served as deputy general manager and director of CITIC Securities Investment Co., Ltd. and director of China National Gold Group Gold Jewellery Co., Ltd. (SHA: 600916).
Sun Guangliang	Independent director	Sun Guangliang has been an independent director of the company since 2018. He is also a partner lawyer and director of Beijing's Huatang Law Firm and an independent director of Dongxing Securities (SHA: 601198) and Beijing Union Medical Diagnostic Technology. Prior to that, Sun served as a lawyer of China Legal Affairs Centre Limited and Beijing's Zhongxin Law Firm, and an independent director of Daheng Science & Technology (SHA: 600288).
Wang Aijian	Independent director	Wang Aijian has been an independent director of the company since April 2018. She has been a professor at the Tianjin University of Finance and Economics since 1998 and is now also a director of Northern International Trust Co., Ltd., which is a state-controlled financial institution. Prior to that, she was the vice principal of the Tianjin University of Finance and Economics, an independent director of Shunliban Information Service Co., Ltd. (SHE: 000606), and a director of Tianjin Pharmacy Holdings Co., Ltd.
Xu Haoran	Independent director	Xu Haoran has been an independent director of the company since 2018. He is also the vice chairman of Beijing Youshi Capital Management Co., Ltd., which focuses on investment management and consulting, and serves as a director in numerous companies in the fields of arts and culture industry, investment management, and technology. Prior to that, Xu was a senior vice president of Far East Holding Group Co., Ltd., a senior editor of Jiangsu Broadcasting Corporation, and a chief reporter at Guangdong Radio and Television.

Source: Company

Income Statement (RMB m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenue	10,424	12,905	15,399	20,062	24,966
Cost of Goods Sold	(8,998)	(11,431)	(13,594)	(17,539)	(21,711)
Gross Profit	1,426	1,473	1,805	2,523	3,255
Other Opng (Exp)/Inc	(888)	(972)	(1,329)	(1,582)	(2,041)
Operating Profit	538	501	476	940	1,214
Other Non Opg (Exp)/Inc	(26)	117	59	103	83
Associates & JV Inc	2	10	(40)	(40)	(40)
Net Interest (Exp)/Inc	149	151	263	156	216
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	664	779	758	1,159	1,474
Tax	(144)	(169)	(91)	(128)	(166)
Minority Interest	2	(11)	(4)	(6)	(7)
Preference Dividend	0	0	0	0	0
Net Profit	522	599	664	1,026	1,301
Net Profit before Except.	522	599	664	1,026	1,301
EBITDA	688	816	722	1,162	1,436
Growth					
Revenue Gth (%)	16.0	23.8	19.3	30.3	24.4
EBITDA Gth (%)	18.7	18.6	(11.5)	60.9	23.5
Opg Profit Gth (%)	41.2	(6.8)	(5.1)	97.6	29.1
Net Profit Gth (%)	21.8	14.8	10.9	54.5	26.8
Margins & Ratio					
Gross Margins (%)	13.7	11.4	11.7	12.6	13.0
Opg Profit Margin (%)	5.2	3.9	3.1	4.7	4.9
Net Profit Margin (%)	5.0	4.6	4.3	5.1	5.2
ROAE (%)	29.4	25.7	17.5	18.7	19.6
ROA (%)	7.5	6.9	5.8	6.9	7.1
ROCE (%)	22.5	16.2	10.7	14.9	15.9
Div Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBS HK

Balance Sheet (RMB m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	1,140	1,782	1,966	2,148	2,383
Invts in Associates & JVs	0	0	0	0	0
Other LT Assets	2,121	4,092	5,924	3,850	4,606
Cash & ST Invts	3,646	1,708	4,112	8,533	10,628
Inventory	543	495	796	948	1,128
Debtors	119	188	208	264	343
Other Current Assets	263	1,295	392	746	940
Total Assets	7,833	9,558	13,397	16,489	20,028
ST Debt	0	0	0	0	0
Creditors	4,879	5,937	7,537	9,450	11,675
Other Current Liab	825	900	714	919	917
LT Debt	0	0	0	0	0
Other LT Liabilities	84	74	166	108	116
Shareholder's Equity	2,034	2,630	4,975	6,001	7,302
Minority Interests	11	18	5	11	18
Total Cap. & Liab.	7,833	9,558	13,397	16,489	20,028
Non-Cash Wkg. Capital	(4,779)	(4,859)	(6,856)	(8,412)	(10,182)
Net Cash/(Debt)	3,646	1,708	4,112	8,533	10,628
Debtors Turn (avg days)	8.7	4.3	4.7	4.3	4.4
Creditors Turn (avg days)	182.2	175.6	184.0	178.4	179.0
Inventory Turn (avg days)	17.2	16.9	17.6	18.3	17.6
Asset Turnover (x)	1.5	1.5	1.3	1.3	1.4
Current Ratio (x)	0.8	0.5	0.7	1.0	1.0
Quick Ratio (x)	0.7	0.3	0.5	0.8	0.9
Net Debt/Equity (X)	(1.8)	(0.6)	(0.8)	(1.4)	(1.5)
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	N/A	N/A	N/A	N/A	N/A
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

Cash Flow Statement (RMB m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	664	779	758	1,159	1,474
Dep. & Amort.	174	188	227	159	178
Tax Paid	(144)	(169)	(91)	(128)	(166)
Assoc. & JV Inc/(loss)	0	0	0	0	0
(Pft)/ Loss on disposal of FAs	(16)	(72)	16	(28)	(6)
Chg in Wkg.Cap.	1,210	(1,610)	(406)	3,745	1,157
Other Operating CF	(474)	2,038	1,589	(175)	(244)
Net Operating CF	1,414	1,155	2,094	4,733	2,393
Capital Exp.(net)	(293)	20	(251)	(301)	(382)
Other Invts.(net)	16	72	(16)	28	6
Invts in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(1,487)	(653)	(1,757)	132	(86)
Net Investing CF	(1,764)	(561)	(2,024)	(141)	(462)
Div Paid	0	0	0	0	0
Chg in Gross Debt	0	0	0	0	0
Capital Issues	0	0	65	0	0
Other Financing CF	299	371	1,733	152	217
Net Financing CF	299	371	1,798	152	217
Currency Adjustments	0	0	0	0	0
Chg in Cash	(51)	965	1,868	4,744	2,148
Opg CFPS (RMB)	0.60	8.16	6.19	2.45	3.06
Free CFPS (RMB)	3.31	3.47	4.57	10.98	4.98

Source: Company, DBS HK

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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