

SANY International (631 HK)

Post-results and NDR takeaways: Expect a strong year in 2022E

We joined SANYI post-results briefing and hosted NDR for SANYI yesterday. Management provided upbeat guidance for 2022E: (1) YTD, both mining and logistics equipment achieved higher revenue growth than the full year revenue growth of 38% in 2021; (2) SANYI is confident of delivering 50%/100% revenue growth of mining equipment/logistics equipment in the overseas market; (3) Intelligent and electric products are gaining traction and the ratio is expected to further increase this year (2021: 15%), which will help improve gross margin; (4) Expansion into new energy business through potential M&A. All these reaffirm our positive stance on SANYI's structural growth story. Maintain **BUY** with unchanged TP at HK\$14.6, based on 23x 2022E P/E (1x PEG on the back of 23% earnings CAGR in 2022E-24E).

- Mining equipment:** For road header, sales volume in Jan reached 91 units and the monthly shipment at present is 70-80 units, much higher than 50 units a year ago. The growth is driven by the demand for the industry as a whole. For **combined coal mining equipment (CCMU)**, SANYI targets to achieve 50% YoY in 2022E. SANYI expects the upcycle of coal mining machinery to sustain over the coming 2-3 years, driven by the increase in mechanization rate, improvement of safety standard and security of coal supply. Given the strong backlog, SANYI has already started planning the capacity in 2023E.
- Robust overseas demand.** SANYI targets to achieve 50% YoY revenue growth of mining equipment in the overseas this year, and sales was on track in 1Q22. For logistics equipment (overseas), SANYI aims to double the revenue this year. Orders from Europe and the US already covered the capacity in 2H22E. While there exists bottleneck in certain import components due to the global supply chain issue, the Company expects the full year shipment target will not be a problem.
- Stabilization of gross margin this year.** Gross margin contraction in 2H21 was due to high steel price, high freight rate as well as high initial costs for some new models of logistics equipment. SANYI aims to achieve a stable gross margin this year, driven by increasing contribution of higher margin intelligent products, reduction of steel price and other operating cost reduction measures.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	7,364	10,195	15,293	18,403	21,739
YoY growth (%)	30.2	38.4	50.0	20.3	18.1
Net income (RMB mn)	1,045	1,259	1,655	1,992	2,327
EPS (RMB)	0.34	0.40	0.53	0.63	0.74
YoY growth (%)	12.5	19.3	31.5	20.3	16.8
Consensus EPS (RMB)	N/A	N/A	0.50	0.62	N/A
EV/EBITDA (x)	13.3	11.6	8.6	7.3	6.4
P/E (x)	21.0	16.5	12.7	10.5	9.0
P/B (x)	2.8	2.4	2.1	1.8	1.6
Yield (%)	1.9	1.9	2.4	3.0	3.5
ROE (%)	14.0	15.2	17.7	18.6	18.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$14.60
(Previous TP)	HK\$14.60)
Up/Downside	+76.1%
Current Price	HK\$8.29

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Stock Data

Mkt Cap (HK\$ mn)	26,148
Avg 3 mths t/o (HK\$ mn)	18.1
52w High/Low (HK\$)	10.80/6.93
Total Issued Shares (mn)	3,154

Source: Bloomberg

Shareholding Structure

Sany Heavy Equipment	67.7%
Investments Company	
Free float	32.3%

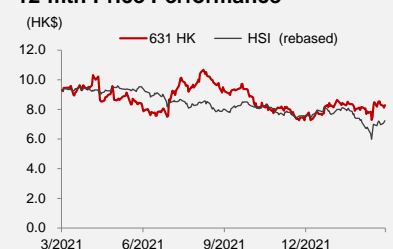
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.5%	4.1%
3-mth	11.7%	17.6%
6-mth	-13.0%	-2.1%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Related Reports

- SANY Int'l – NDR takeaways: Growth to accelerate in 2022E on strong backlog – 20 Jan 2022
- SANY Int'l – 3Q21 Net profit +8%, in line with estimates; Revenue growth acceleration a positive sign – 1 Nov 2021
- SANY Int'l – Good crisis management to remove impact of power suspension; Solid coal mining equipment order intakes – 4 Oct 2021

Figure 1: SANYI's 2021 segment breakdown

(RMB mn)	2020	2021	Change (YoY)	1H20	1H21	Change (YoY)	2H20	2H21	Change (YoY)
Revenue									
Mining equipment sales	5,147	7,432	44.4%	2,547	3,584	40.7%	2,600	3,848	48.0%
Sales	4,846	6,896	42.3%	2,370	3,227	36.2%	2,477	3,669	48.1%
Others	301	536	78.1%	178	357	101.1%	123	179	45.0%
Logistics equipment sales	2,637	3,503	32.8%	1,483	1,858	25.3%	1,154	1,645	42.6%
Sales	2,518	3,299	31.0%	1,446	1,757	21.6%	1,072	1,541	43.8%
Others	119	204	71.4%	38	101	168.4%	82	103	26.7%
Total revenue	7,784	10,935	40.5%	4,030	5,442	35.0%	3,754	5,492	46.3%
Segment EBIT									
Energy equipment	894	1,229	37.4%	561	783	39.7%	334	446	33.7%
Port machinery	392	278	-29.1%	249	192	-22.9%	143	86	-39.8%
Total segment results	1,286	1,507	17.2%	810	975	20.4%	477	532	11.6%
Segment margin						ppt			ppt
Energy equipment	17.4%	16.5%	-0.0	22.0%	21.8%	-0.0	12.8%	11.6%	-0.1
Port machinery	14.9%	7.9%	-0.5	16.8%	10.3%	-0.4	12.4%	5.2%	-0.6
Average	16.5%	13.8%	-0.2	20.1%	17.9%	-0.1	12.7%	9.7%	-0.2

Source: Company data, CMBIGM estimates

Figure 2: SANYI's 2021 results review

YE Dec 31(RMB mn)	2020	2021	Change (YoY)	1H20	1H21	Change (YoY)	2H20	2H21	Change (YoY)
Revenue									
Mining equipment	4,846	6,896	42.3%	2,370	3,227	36.2%	2,477	3,669	48.1%
Logistics equipment	2,518	3,299	31.0%	1,446	1,757	21.6%	1,072	1,541	43.8%
Total revenue	7,364	10,195	38.4%	3,815	4,984	30.6%	3,549	5,210	46.8%
Cost of sales	(5,403)	(7,805)	44.5%	(2,785)	(3,769)	35.3%	(2,618)	(4,036)	54.2%
Gross profit	1,961	2,390	21.9%	1,030	1,215	18.0%	931	1,175	26.2%
Other income	237	391	64.8%	215	458	112.8%	22	(67)	-403.5%
Other gains and losses	257	347	34.9%	57	19	-66.3%	200	327	63.4%
S&D expenses	(430)	(567)	31.6%	(180)	(244)	35.7%	(251)	(323)	28.7%
Administrative expenses	(707)	(1,053)	49.0%	(311)	(470)	51.3%	(396)	(583)	47.1%
Other expenses	(31)	(1)	-97.8%	(2)	(3)	n/a	(30)	3	n/a
EBIT	1,286	1,507	17.2%	810	975	20.4%	477	532	11.6%
Net finance income/(cost)	(96)	(69)	-28.2%	(56)	(29)	-47.9%	(40)	(40)	-0.9%
Finance income	36	51	40.0%	19	26	35.3%	17	24	45.4%
Finance expenses	(132)	(120)	-9.5%	(75)	(55)	-26.5%	(57)	(64)	12.8%
Share of profit of JV and associates	0	0	n/a	0	0	n/a	0	0	n/a
Pretax profit	1,190	1,438	20.8%	754	946	25.5%	436	492	12.8%
Income tax	(139)	(129)	-7.1%	(115)	(117)	1.4%	(23)	(12)	-49.2%
After tax profit	1,052	1,309	24.5%	639	829	29.8%	413	480	16.3%
MI	(6)	(50)	682.0%	1	(18)	n/a	(7)	(32)	n/a
Net profit	1,045	1,259	20.5%	640	811	26.8%	405	448	10.5%
D&A	249	249	-0.1%	124	126	1.8%	125	122	-1.9%
EBITDA	1,535	1,756	14.4%	934	1,101	17.9%	601	654	8.8%

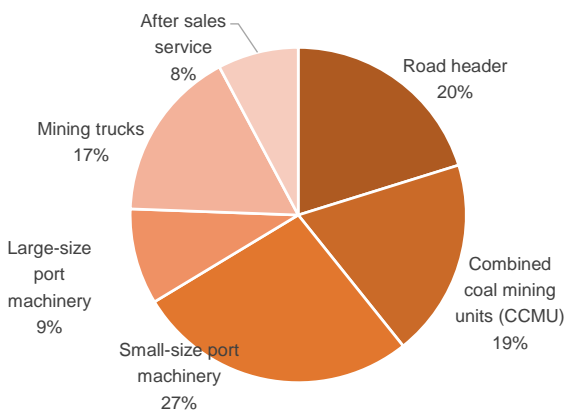
Source: Company data, CMBIGM estimates

Figure 3: SANYI's quarterly results

RMB mn	1Q20	1Q21	Chg (YoY)	2Q20	2Q21	Chg (YoY)	3Q20	3Q21	Chg (YoY)	4Q20	4Q21	Chg (YoY)
Revenue	1,553	2,411	55%	2,262	2,573	14%	1,689	2,557	51%	1,860	2,653	43%
Cost of sales	(1,146)	(1,790)	56%	(1,639)	(1,980)	21%	(1,190)	(1,963)	65%	(1,428)	(2,073)	45%
Gross profit	407	622	53%	623	593	-5%	499	594	19%	432	580	34%
Gross margin	26.2%	25.8%		27.5%	23.1%		29.5%	23.2%		23.2%	21.9%	
Pretax profit	296	368	24%	458	578	26%	278	298	7%	158	194	22%
Pretax profit margin	19.1%	15.3%		20.2%	22.5%		16.5%	11.7%		8.5%	7.3%	
Net profit	257	340	32%	383	471	23%	264	284	8%	142	164	15%
Net margin	16.5%	14.1%		16.9%	18.3%		15.6%	11.1%		7.6%	6.2%	

Source: Company data, CMBIGM estimates

Figure 4: SANYI's revenue breakdown by product (2021)



Source: Company data, CMBIGM

Figure 5: SANYI's revenue breakdown by region

Region	2019	2020	2021
(RMB mn)			
Mainland China	4,595	6,003	8,099
Asia (ex-China)	588	708	1,048
European Union	69	137	269
USA	139	238	338
Others	266	278	441
Total	5,656	7,364	10,195
Change (YoY)			
Mainland China	32.6%	30.6%	34.9%
Asia (ex-China)	-3.6%	20.4%	48.1%
European Union	-51.3%	98.4%	95.7%
USA	70.8%	71.3%	42.1%
Others	120.6%	4.7%	58.6%
Average	28.1%	30.2%	38.4%

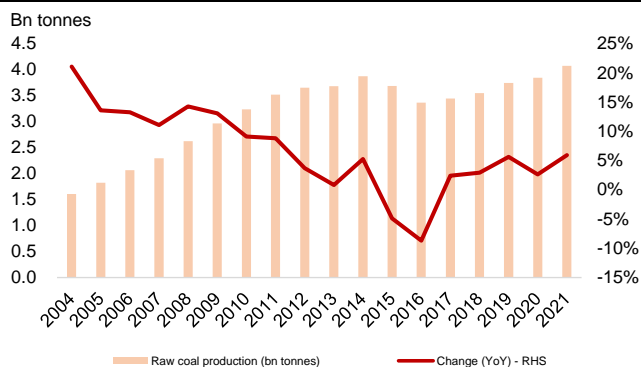
Source: Company data, CMBIGM

Figure 6: Change in key assumptions

	Old		New		Change	
(RMB mn)	2022E	2023E	2022E	2023E	2022E	2023E
Revenue						
Road header	2,522	2,676	2,600	2,917	3.1%	9.0%
Combined coal mining units (CCMU)	2,922	3,361	2,859	3,288	-2.2%	-2.2%
Small-size port machinery	2,970	3,475	3,369	3,942	13.4%	13.4%
Large-size port machinery	1,339	1,661	1,344	1,667	0.4%	0.4%
Mining trucks	2,700	3,704	2,752	3,777	1.9%	2.0%
After sales service	918	1,009	988	1,087	7.7%	7.7%
Robot	1,296	1,620	1,380	1,725	6.5%	6.5%
Total	14,668	17,505	15,293	18,403	4.3%	5.1%
Blended gross margin	25.6%	25.1%	23.9%	23.7%	Change (ppt)	(1.7)
S&D expense ratio	5.8%	5.8%	5.6%	5.6%	Change (ppt)	(0.2)
Admin expense ratio	9.9%	9.6%	9.8%	9.7%	Change (ppt)	0.1
Net profit	1,659	1,965	1,655	1,992	-0.2%	1.3%

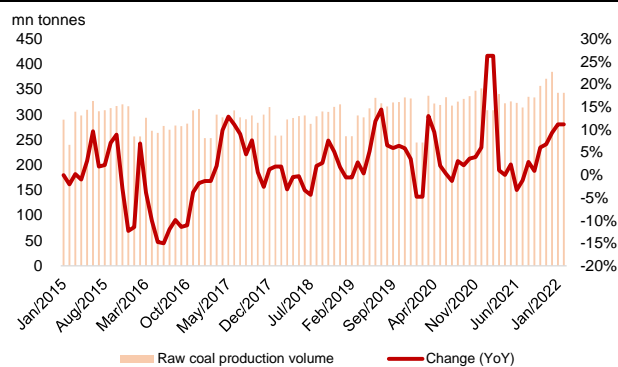
Source: Company data, CMBIGM estimates

Figure 7: China raw coal production (annual)



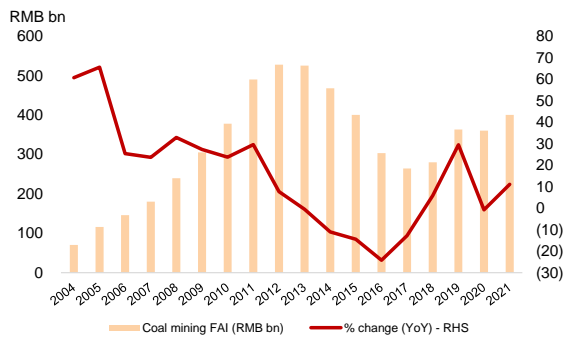
Source: Wind, CCTDCOAL, CMBIGM

Figure 8: China raw coal production (monthly)



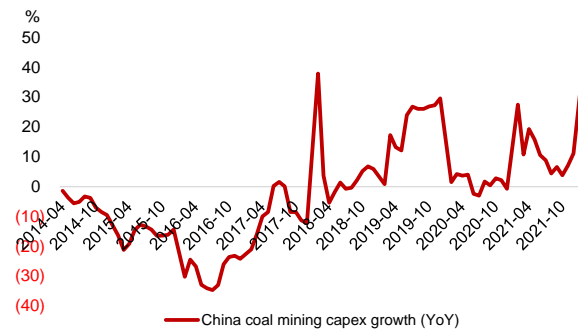
Source: Wind, CCTDCOAL, CMBIGM

Figure 9: China coal mining FAI



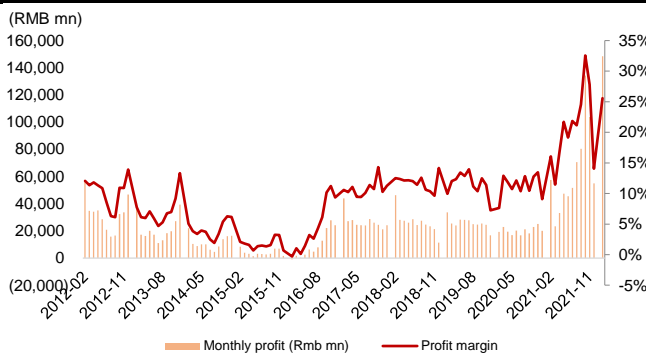
Source: Wind, NBS, CMBIGM

Figure 10: China coal mining FAI growth (YTD)



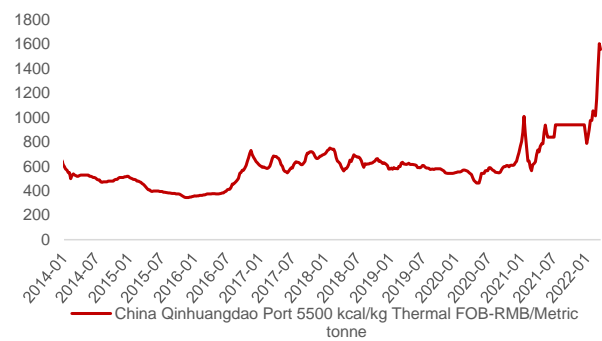
Source: Wind, NBS, CMBIGM

Figure 11: China coal miners' monthly profit & margin



Source: Wind, NBS, CMBIGM

Figure 12: China Qinhuangdao Port 5500 kcal price



Source: Bloomberg, CMBIGM

Major risk factors: (1) weakness in mining activities; (2) higher-than-expected expense for new products; (3) continuous increase in raw material cost and freight rate.

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue					
- Mining equipment	4,846	6,896	9,002	10,852	12,811
- Logistics equipment	2,518	3,299	4,911	5,826	6,772
Total revenue	7,364	10,195	15,293	18,403	21,739
Cost of sales	(5,403)	(7,805)	(11,642)	(14,048)	(16,676)
Gross profit	1,961	2,390	3,651	4,355	5,063
Other income	237	391	489	589	696
Other gains and losses	257	347	306	368	435
S&D expenses	(430)	(567)	(856)	(1,031)	(1,217)
Administrative expenses	(707)	(1,053)	(1,499)	(1,785)	(2,087)
Other expenses	(31)	(1)	(46)	(55)	(65)
EBIT	1,286	1,507	2,045	2,441	2,824
Net finance income/(cost)	(96)	(69)	(73)	(69)	(53)
Finance income	36	51	57	61	70
Finance expenses	(132)	(120)	(130)	(130)	(123)
Share of JV and associates	0	0	0	0	0
Pretax profit	1,190	1,438	1,972	2,372	2,771
Income tax	(139)	(129)	(256)	(308)	(360)
After tax profit	1,052	1,309	1,715	2,064	2,411
MI	(6)	(50)	(60)	(72)	(84)
Net profit	1,045	1,259	1,655	1,992	2,327
D&A	249	249	323	344	351
EBITDA	1,535	1,756	2,368	2,785	3,175

Cash flow statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Pretax profit	1,190	1,438	1,972	2,372	2,771
Finance cost	132	120	130	130	123
Interest income	(36)	(51)	(57)	(61)	(70)
Share of profit or loss of associates	0	0	0	0	0
Depreciation and amortization	249	249	323	344	351
Income tax paid	(108)	(129)	(256)	(308)	(360)
Change in working capital	105	475	(858)	(910)	(771)
Others	(462)	(1,179)	0	0	0
Cash flow from operation	1,070	923	1,253	1,567	2,043
Net capex on PP&E	(334)	(944)	(500)	(300)	(100)
Interest received	36	51	57	61	70
Others	(349)	598	0	0	0
Cash flow from investing	(647)	(296)	(443)	(239)	(30)
Proceeds from equity financing/(repurchase)	30	0	0	0	0
Net bank borrowings	(113)	317	0	0	100
Dividend paid	(394)	(408)	(385)	(513)	(617)
Interest paid	(132)	(120)	(130)	(130)	(123)
Others	8	(16)	0	0	0
Cash flow from financing	(602)	(227)	(514)	(643)	(640)
Change in cash	(179)	400	295	685	1,373
Cash at beginning of the year	1,103	941	1,349	1,645	2,330
Exchange gains/(losses) and others	17	8	0	0	0
Cash at the end of the year	941	1,349	1,645	2,330	3,703

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	5,448	6,568	6,745	6,701	6,450
PP&E	2,591	3,314	3,518	3,501	3,277
Prepaid land lease payments	1,140	1,114	1,088	1,062	1,036
Goodwill	1,130	1,130	1,130	1,130	1,130
Non-current prepayment	10	10	10	10	10
Others	282	714	713	712	711
Deferred tax assets	296	287	287	287	287
Current assets	12,016	14,217	17,371	19,206	23,558
Prepayment	359	585	585	585	585
Inventories	1,821	2,529	3,851	4,001	5,320
Trade receivables	3,288	4,272	5,532	6,367	7,690
Bills receivables	595	700	976	1,142	1,479
Financial assets	4,024	3,680	3,680	3,680	3,680
Others	988	1,081	1,081	1,081	1,081
Pledged deposits/Time deposits	0	21	21	21	21
Cash	941	1,349	1,645	2,330	3,703
Current liabilities	7,938	9,170	11,170	11,411	13,718
Trade and bills payables	2,893	4,422	6,422	6,663	8,871
Other payables and accruals	1,917	2,659	2,659	2,659	2,659
Bank borrowings	2,645	1,687	1,687	1,687	1,787
Tax payable	197	185	185	185	185
Government grants	96	113	113	113	113
Others	191	103	103	103	103
Non-current liabilities	1,667	2,832	2,832	2,832	2,832
Bank borrowings	493	1,767	1,767	1,767	1,767
Deferred tax liabilities	69	98	98	98	98
Government grants	1,105	967	967	967	967
Total equity	7,859	8,783	10,114	11,665	13,458
Shareholders' equity	7,839	8,701	9,972	11,450	13,160
MI	20	82	142	214	299

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
- Mining equipment	66%	68%	59%	59%	59%
- Logistics equipment	34%	32%	32%	32%	31%
Total	100%	100%	100%	100%	100%
P&L ratios (%)					
Gross margin	27%	23%	24%	24%	23%
EBITDA margin	21%	17%	15%	15%	15%
EBIT margin	17%	15%	13%	13%	13%
Net profit margin	14%	13%	11%	11%	11%
Growth (%)					
Revenue	30%	38%	50%	20%	18%
Gross profit	17%	22%	53%	19%	16%
EBITDA	14%	14%	35%	18%	14%
EBIT	17%	17%	36%	19%	16%
Net profit	14%	20%	31%	20%	17%
Balance sheet ratios					
Current ratio (x)	1.5	1.6	1.6	1.7	1.7
Receivable turnover days	147	135	117	118	118
Inventory turnover days	110	102	100	102	102
Payable turnover days	160	171	170	170	170
Net debt / total equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROA	6%	7%	7%	8%	8%
ROE	14%	15%	18%	19%	19%
Per share					
EPS (RMB)	0.336	0.401	0.527	0.634	0.741
BVPS (RMB)	2.52	2.76	3.16	3.63	4.17
DPS (RMB)	0.131	0.122	0.163	0.197	0.230

Note: The calculation of net cash includes financial assets. Source: Company data, CMBIGM estimates

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NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

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