



CMBI Research Focus List

Our best high conviction ideas



16 May 2022

CMBI Focus List – Long and short ideas

Company	Ticker	Sector	Rating	M cap (US\$ bn)	3M ADTV (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY22E	P/E (x) FY23E	P/B (x) FY22E	P/B (x) FY22E	ROE	Yield	Analyst
Long Ideas															
Li Auto Inc.	LI US	Auto	BUY	22.5	255.3	21.8	48.0	120%	N/A	N/A	2.8	-1.4	N/A		Shi Ji/ Dou Wenjing
Zhejiang Jingsheng	300316 CH	Capital Goods	BUY	3.0	2.1	52.3	93.0	78%	25.2	20.5	7.4	33.4	0.8%		Wayne Fung
SANY International	631 HK	Capital Goods	BUY	35.9	180.5	7.5	14.6	96%	11.3	9.3	1.9	17.7	2.7%		Wayne Fung
SF Holding	002352 CH	Express Delivery	BUY	35.9	180.5	49.8	94.0	89%	32.6	22.3	2.9	9.2	0.6%		Wayne Fung
Haier SH	6690 HK	Consumer Disc.	BUY	34.0	32.2	26.7	33.1	24%	12.8	10.8	1.8	17.0	3.1%		Walter Woo
Xtep	1368 HK	Consumer Disc.	BUY	3.5	21.5	10.4	16.2	56%	17.5	14.0	2.5	14.6	3.4%		Walter Woo
CR Beer	291 HK	Consumer Staples	BUY	18.5	78.4	44.7	80.0	79%	39.7	32.9	6.3	16.6	1.0%		Joseph Wong
Mengniu	2319 HK	Consumer Staples	BUY	19.7	70.5	39.2	57.0	46%	26.3	21.8	3.8	13.2	1.1%		Joseph Wong
WuXi Biologics	2269 HK	Healthcare	BUY	27.9	230.1	51.9	146.1	182%	38.4	28.0	4.6	12.7	N/A		Jill Wu/ Benchen Huang
Innovent Biologics	1801 HK	Healthcare	BUY	3.5	39.4	18.6	75.0	302%	N/A	N/A	N/A	N/A	N/A		Jill Wu/ Andy Wang
PSBC	1658 HK	Banking	BUY	3.5	39.4	5.9	8.4	42%	N/A	N/A	0.7	10.5	5.2%		Eric Wang
PICC P&C	2328 HK	Insurance	BUY	71.3	44.7	7.5	11.6	55%	N/A	N/A	0.7	12.0	7.5%		Gigi Chen
Kuaishou	1024 HK	Internet	BUY	21.3	29.7	67.8	120*	N/A	N/A	N/A	N/A	N/A	0.0%		Sophie Huang
CR Land	1109 HK	Property	BUY	36.9	303.0	33.8	44.8	33%	6.6	N/A	0.9	14.3	5.3%		Jeffrey Zeng/ Xiao Xiao
CG Services	6098 HK	Property	BUY	30.7	60.3	28.1	47.6	69%	32.7	20.8	11.2	18.4	0.2%		Jeffrey Zeng/ Xiao Xiao
Goertek	002241 CH	Technology	BUY	12.1	104.2	35.2	40.8	0.2	21.4	17.6	3.2	18.1	0.9%		Alex Ng/ Lily Yang
Willsemi	603501 CH	Technology	BUY	17.7	306.0	150.2	200.0	33%	23.6	19.3	N/A	22.5	N/A		Lily Yang/ Alex Ng
Glodon	002410 CH	Software & IT services	BUY	19.4	244.7	46.9	72.0	54%	62.7	54.0	N/A	15.0	0.0%		Marley Ngan

Source: Bloomberg, CMBIGM, Price as of 13/5/2022, *TP under review

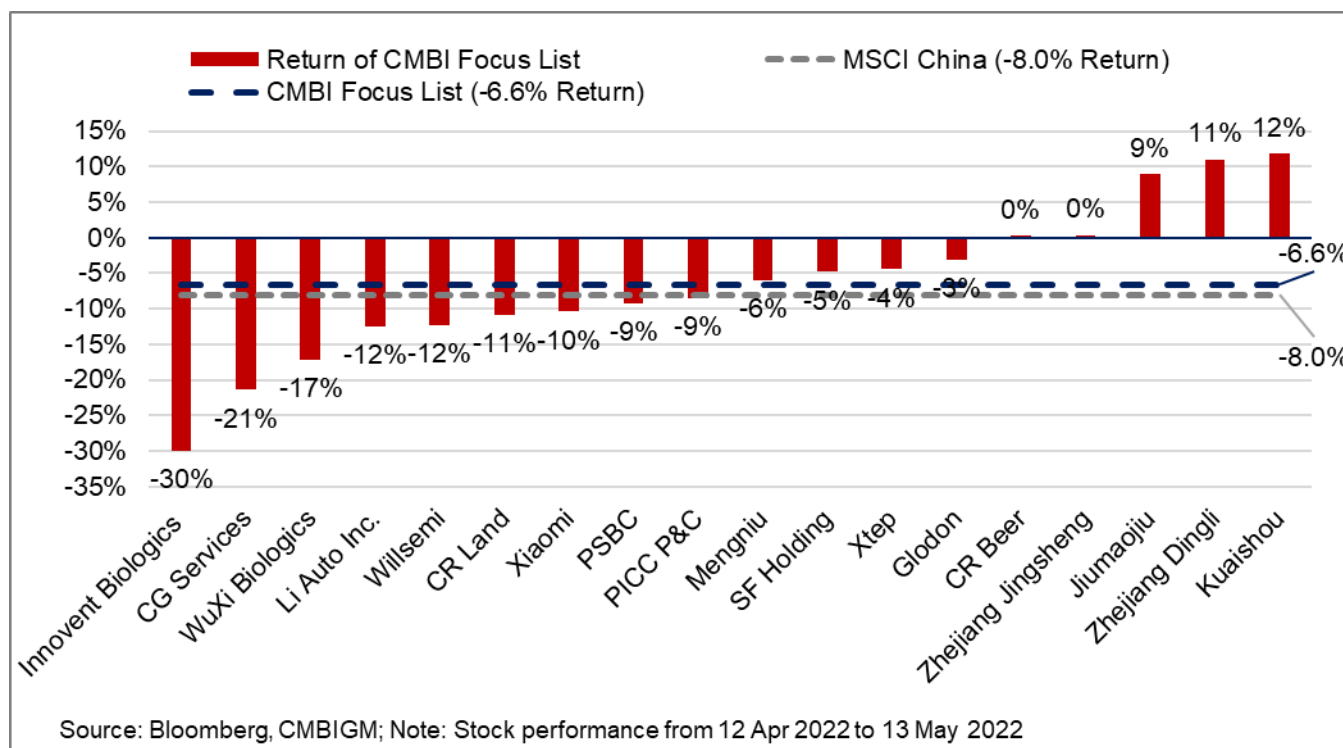
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Haier SH	6690 HK	Consumer Disc.	BUY	Walter Woo	Thanks to Haier's leadership in fridges, the robust demand in Apr could help offsetting the generally sluggish white goods demand. Moreover, its edges on high-end segment and customized solutions could effectively drive ASP growth and protect margins. The CNY depreciation and further policy relaxation on the property sector are also potential catalysts.
Goertek	002241 CH	Technology	BUY	Alex Ng/ Lily Yang	Expect strong pipeline of AR/VR and gaming console and AirPods recovery in 2H22E.
Deletions					
Jiumaojiu	9922 HK	Consumer Disc.	BUY	Walter Woo	Despite the outperformance by Tai Er and Jiumaojiu, we believe the risk reward is dampened as we factor in the drags by lockdowns and dining restriction in many areas in China, as well as the relatively high valuation.
Xiaomi	1810 HK	Technology	BUY	Alex Ng/ Lily Yang	Expect near-term demand weakness in 2Q22E due to Covid-19 lockdown and supply chain impact.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 12 Apr, we highlighted a list of 18 long ideas.
- The basket (equal weighted) of these 18 stocks outperformed MSCI China index by 1.5ppt, delivering -6.6% return (vs MSCI China -8.0%).
- 9 of our 18 long ideas outperformed the benchmark.



Long Ideas

Li Auto Inc. (LI US): Less is more

Rating: BUY | TP: US\$48 (120% upside)

Analysts: Shi Ji/ Dou Wenjing

- Investment Thesis:** We are of the view that China's auto industry has been experiencing drastic changes as consumers pursue new values from vehicles, which needs pioneers but not followers. We are pessimistic about most incumbent automakers' tech transformation. As pioneers, the NEV trio has their advantages and disadvantages. Li Auto's operational efficiency and attention to details for consumers' in-car experience are key to its success and difficult to mimic. Such advantage could be pivotal in the short term when the industry faces supply chain challenges, economic pressure and negative investor sentiment.
- Our View:** We are of the view that investors' key focus has been shifting from which Chinese EV brand could survive (in 2020) and which automaker has the highest cutting-edge technology barrier (in 2021) to which OEM is the most efficient to manage supply chain and deliver solid financials. Therefore, we think it is possible that Li Auto outperforms in the short term after NIO and Xpeng's outperformance in 2020 and 2021, respectively, amid its more solid financial performance. Battery price hike should also have a milder dent given its relatively lower battery capacity.
- Catalysts:** 1) Order ramp-up of the upcoming L9; 2) improving investor sentiment from the speculation of government stimulus measures for NEVs; 3) Larger production rebound than peers post the Shanghai lockdown.
- Why do we differ vs consensus:** We believe that Li Auto's profitability in 2Q22E could be more resilient than most of its peers amid the supply chain constraints, although its single-model portfolio and production base next to Shanghai made it suffer the most from the Shanghai lockdown.
- Valuation:** Our target price of US\$ 48.00 is based on 6x FY22E P/S, in line with its forward 12-month P/S in the past 12 months.

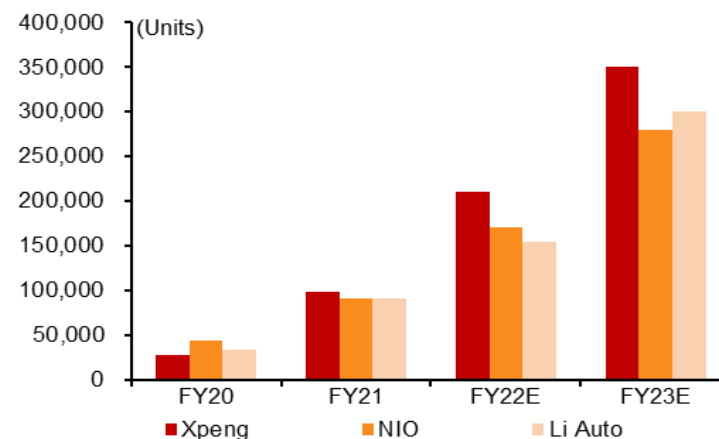
Link to latest report: [Li Auto Inc. \(LI US\) – Less is more](#)

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	27,010	48,502	90,324	142,805
YoY growth (%)	185.6	79.6	86.2	58.1
Net income (RMB mn)	(321)	(596)	332	1,726
EPS (RMB)	(0.17)	(0.31)	0.17	0.87
YoY growth (%)	N/A	N/A	N/A	420.3
P/S (x)	4.1	2.4	1.3	0.8
P/B (x)	2.7	2.8	2.8	2.7
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	(0.9)	(1.4)	0.8	4.0
Net gearing (%)		Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales volume comparison of NEV trio



Source: Company data, CMBIGM estimates

Zhejiang Jingsheng (300316 CH): Solid growth of solar equipment; SiC gaining traction

Rating: BUY | TP: RMB93 (78% upside)

Analyst: Wayne Fung

- **Investment Thesis:** Zhejiang Jingsheng is a leading supplier of crystal growing and processing equipment in solar power and semiconductor industry. The Company also offers sapphire products in the LED industry. Jingsheng is the key beneficiary of the capex growth of wafer makers, such as Zhonghuan (002129 CH, NR).
- **Our View:** While the recent expansion of solar wafer capacity in China will likely take the nameplate capacity to >500GW by end-2022E, we expect major wafer makers' continuous transformation to large-size wafer will boost the replacement demand, which offers further growth opportunity for Jingsheng. Besides, the war in Ukraine will likely trigger more EU countries to reduce the reliance on Russian gas and switch to other energy source such as solar, which will offer potential upside for Chinese solar product export. On the other hand, the breakthrough on SiC will serve as new growth engine for Jingsheng starting this year.
- **Why do we differ vs consensus:** Our earnings forecast in 2022E/23E is 8%/0% above the consensus estimates, as we are more positive on the solar capex spending.
- **Catalysts:** (1) More favorable policies to support solar power in Europe; (2) Upside on China solar installation; (3) further breakthrough on SiC.
- **Valuation:** Our TP is RMB93, based on 45x 2022E P/E. We applied a 20% discount to target P/E of 56x (1SD above historical average), as we expect Jingsheng is likely to complete the share placement this year (max: 20% of enlarged share capital).

Link to latest report:

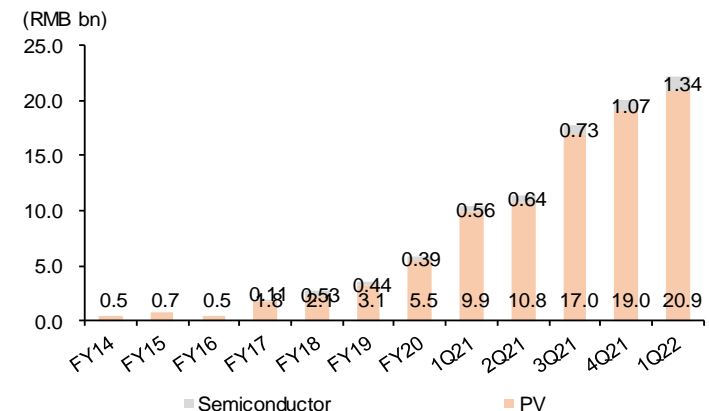
[Zhejiang Jingsheng \(300316 CH\) – High visibility with backlog covering >80% of revenue in 2022E-23E](#)

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	5,961	11,830	14,731	17,546
YoY growth (%)	56	98	25	19
Net income (RMB mn)	1,712	2,671	3,276	3,908
EPS (RMB)	1.33	2.08	2.55	3.04
YoY growth (%)	99	56	23	19
Consensus EPS (RMB)	N/A	1.91	2.53	n/a
P/E (x)	39.3	25.2	20.5	17.2
P/B (x)	9.8	7.4	5.7	4.4
Yield (%)	0.5	0.8	1.0	1.2
ROE (%)	28.4	33.4	31.2	28.9
Net gearing (%)		Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Jingsheng's backlog



Source: Company data, CMBIGM estimates

SANY International (631 HK): Strong performance across all segments

Rating: BUY | TP: HK\$14.6 (96% upside)

Analyst: Wayne Fung

- **Investment Thesis:** The ongoing development of intelligent coal mines and ports will continue to offer opportunity for SANYI to gain market share through the launch of the intelligent machinery products. Besides, industrial robot and smart mining will serve as new growth drivers.
- **Our View:** We expect a strong year in 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. .
- **Why do we differ vs consensus:** Our earnings forecast in 2021E/22E is 3%/-4% versus consensus. We see upside to our earnings forecast given the strong backlog.
- **Catalysts:** (1) The release in 1Q22E results; (2) Launch of new products; (3) potential M&A
- **Valuation:** Our TP of HK\$14.6 (based on 23x 2022E P/E, on the back of 23% earnings CAGR in 2022E-24E).

Link to latest report:

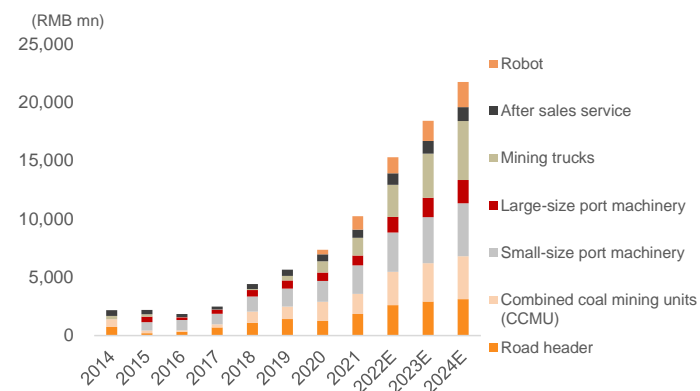
[SANY International \(631 HK\) – Post-results and NDR takeaways: Expect a strong year in 2022E](#)

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	10,195	15,293	18,403	21,739
YoY growth (%)	38.4	50.0	20.3	18.1
Net income (RMB mn)	1,259	1,655	1,992	2,327
EPS (RMB)	0.40	0.53	0.63	0.74
YoY growth (%)	19.3	31.5	20.3	16.8
Consensus EPS (RMB)	N/A	0.51	0.66	N/A
EV/EBIDTA (x)	10.2	7.6	6.5	5.7
P/E (x)	14.6	11.3	9.3	8.0
P/B (x)	2.1	1.9	1.6	1.4
Yield (%)	2.1	2.7	3.3	3.9
ROE (%)	15.2	17.7	18.6	18.9
Net gearing (%)		Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: SANYI's revenue breakdown



Source: Company data, CMBIGM estimates

SF Holding (002352 CH): Set to deliver strong earnings recovery in 2022E

Rating: BUY | TP: RMB94 (89% upside)

Analyst: Wayne Fung

- Investment Thesis:** The Chinese government's strong intervention in the express delivery industry through policies and regulations in 2021 successfully put the bloody price war to an end and brought the industry development back to the right track. From corporate perspective, major players have already shifted from pricing to capex optimization, quality service and profit oriented strategy. Looking ahead, we expect ASP increase will continue to serve as sector catalyst in 2022E. In addition, we expect market share gain through M&A, as well as expansion to integrated logistics model, will become a trend over the medium term.
- Our View:** Following the completion of share placement and the spin-off of **SF REIT (2191 HK, NR)** and the intra-city business unit, SF completed the major fund-raising exercise in 2021. Going forward, with a focus on premium delivery service, SF is set to become a major beneficiary given that the industry focus is moving away from pricing to service quality after the government's intervention. Meanwhile, SF's strategic shift from scale to profitability, together with the consolidation of **Kerry Logistics (636 HK, NR)**, will boost significant earnings recovery in 2022E. What's more, the potential market share gain in the premium e-commerce delivery segment will boost SF's economy express volume.
- Why do we differ vs consensus:** Our earnings forecast in 2022E-23E is 7-14% above consensus estimates, due to higher ASP assumptions.
- Catalysts:** (1) Further increase in ASP; (3) Market share gain in high-end e-commerce express delivery.
- Valuation:** Our TP of RMB94 is based on 61x 2022E P/E, 1SD above the historical average of 44x. We believe SF deserves a valuation premium, given the strong earnings recovery in 2022E-23E.

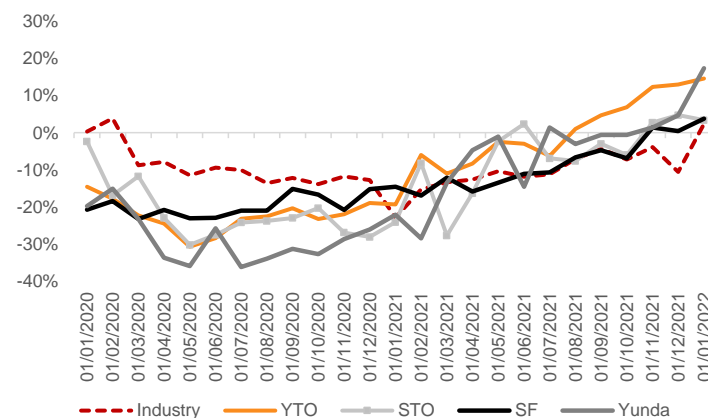
Link to latest report: [SF Holding \(002352 CH\) – Core net profit in 4Q21 below expectation but recovery trend will continue](#)

Financials and Valuations

(YE 31 Dec)	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	153,987	216,220	279,808	320,407
YoY growth (%)	37	40	29	15
Net income (RMB mn)	6,883	2,785	7,594	11,081
EPS (RMB)	1.54	0.61	1.55	2.26
YoY growth (%)	37.2	(60.6)	154.9	45.9
Consensus EPS (RMB)	N/A	N/A	1.45	1.99
EV/EBITDA (x)	18.9	20.6	12.8	9.8
P/E (x)	32.7	83.0	32.6	22.3
P/B (x)	4.1	3.1	2.9	2.6
Yield (%)	0.7	0.2	0.6	0.9
ROE (%)	13.9	4.1	9.2	12.2
Net gearing (%)	Net cash	2.1	5.8	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: ASP trend for major express delivery players



Source: The State Post Bureau, Company data, CMBIGM

Haier SH (6690 HK): Excellent 1Q22 and a brighter 2Q22E outlook

Rating: BUY | TP: HK\$33.13 (24% upside)

Analyst: Walter Woo

- Investment Thesis:** Haier has been consistently gaining market shares in the past 10 years and thanks to recent M&A, it is enjoying a meaningful boost in competitiveness and efficiency which drive a faster NP CAGR in FY21-24E. It is a global leader in home appliances, owning 7 major brands (Haier, Casarte, Leader, GE Appliances, Fisher & Paykel, Aqua and Candy) and ranked #1 in market shares for fridges, washing machines and water heaters in the world. Growth drivers includes premiumization (selling more high end products) and category expansions (e.g. AC, kitchen appliances).
- Our View:** We are confident that Haier to achieve its FY22E growth target, as it had already shown its first-class capability to navigate growth under the covid-19 outbreaks in 1Q22. And there are chances for it to further outperform in 2Q22E, thanks to: 1) robust fridges sales in Apr 2022 and many unfulfilled orders, 2) ASP increases thru greater sales of series of products/ customized solutions, 3) CNY depreciation, and 4) potential relaxation on property market policies and boosting consumptions.
- Why do we differ vs consensus:** For FY22E/ 23E/ 24E, our NP forecasts is 1% higher / 5% higher/ 1% lower than street as we are more optimistic on its operating efficiency in FY22E-24E.
- Catalysts:** 1) robust 2Q22E data points, 2) stronger than expected exports or better FX, 3) better than expected property sales and policies and 4) better than expected raw material costs.
- Valuation:** We derived our 12m TP of HK\$33.13 based on 16x FY22E P/E. We believe premiumization (both domestic and overseas), customized solutions, efficiency gains from digitalization and synergies can drive decent growth onwards. The stock is only trading at 13x FY22E P/E.

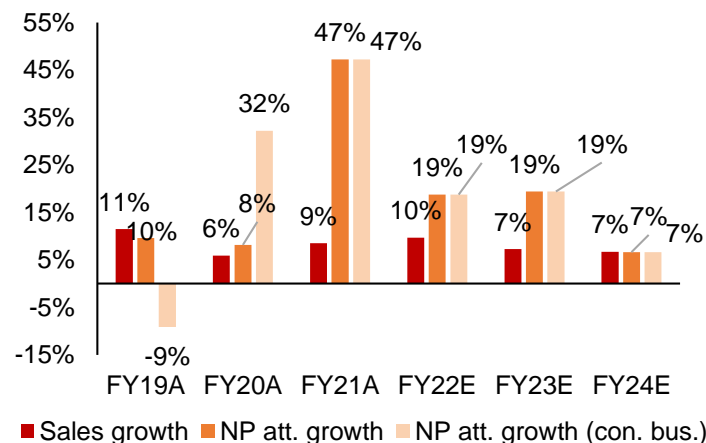
Link to latest report: [Haier Smart Home \(6690 HK\) – Excellent 1Q22 and a brighter 2Q22E outlook](#)

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Sales (RMB mn)	227,531	249,556	267,757	285,696
YoY change (%)	8.5	9.7	7.3	6.7
Adj. net profit (RMB mn)	13,067	15,517	18,534	19,763
Adj. EPS - Fully diluted (RMB)	1.390	1.719	2.053	2.189
YoY change (%)	6.3	23.3	19.4	6.6
Consensus EPS (RMB)	N/A	1.626	1.878	2.143
Adj. P/E (x)	15.8	12.8	10.8	10.1
P/B (x)	2.1	1.8	1.6	1.4
Yield (%)	2.2	3.1	3.7	4.0
ROE (%)	16.4	17.0	17.8	16.7
Net debt/ equity (%)		Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

Xtep (1368 HK): Prudent on 2Q22 but guidance maintained

Rating: BUY | TP: HK\$16.21 (56% upside)

Analyst: Walter Woo

- Investment Thesis:** We believe Xtep is another key company to enjoy the domestic fashion mania in the next few years. Also, the partnership with Hillhouse since Mid 2021 would provide them more meaningful industry connections and resources. It has the third largest domestic sportswear brand (Xtep) in China with RMB 8.2bn sales and around 6,000 stores and other brands (K-Swiss, Saucony, etc.) in FY20. Growth drivers include 1) premiumization and better product mix, 2) larger sized stores with better productivity and 3) multi-brands expansion.
- Our View:** Covid-19 is hitting the sector hard in 2Q22E, but we believe Xtep is still the best performer in the sector given its LSD retail sales decline in Apr (far better than Pou Sheng's 38% drop), thanks to more trendy and innovative product launches since 2Q22E and its relatively lower exposure to Tier 1 cities and shopping malls. More importantly, the guidance for listed co. is still be maintained, partly aided by its wholesale businesses model.
- Why do we differ vs consensus:** For FY22E/ 23E/ 24E, our net profit forecasts are differ than the street by 6%/ 8%/ -1%, as we are more optimistic about GP margins but more negative on sales growth.
- Catalysts:** 1) resilient 2Q22E data point, 2) higher than expected popularity for products and brands and 3) potential consumption stimulus from government.
- Valuation:** We derived our 12m TP of HK\$16.21 based on SOTP valuation , also implying a 28x FY22E P/E. We believe resilient sales growth during tough time can boost investors confident. The stock is not expensive, at 20x FY22E P/E, with 26% adj. NP CAGR during FY21-24E.

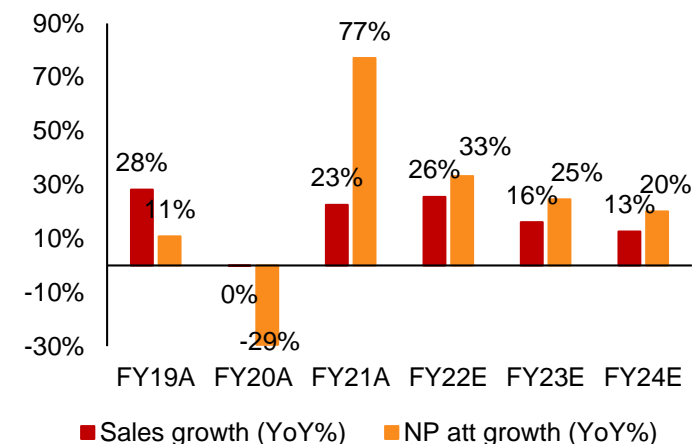
Link to latest report: [Xtep \(1368 HK\) – Prudent on 2Q22 but guidance maintained](#)

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Sales (RMB mn)	10,013	12,568	14,587	16,430
YoY change (%)	22.5	25.5	16.1	12.6
Adj. net profit (RMB mn)	908	1,210	1,508	1,811
Adj. EPS - Fully diluted (RMB)	0.355	0.475	0.592	0.711
YoY change (%)	72.1	33.8	24.6	20.1
Consensus EPS (RMB)	N/A	0.452	0.561	0.702
Adj. P/E (x)	23.3	17.5	14.0	11.7
P/B (x)	2.6	2.5	2.3	2.1
Yield (%)	2.6	3.4	4.3	5.1
ROE (%)	11.9	14.6	16.9	18.7
Net debt/ equity (%)		Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

CR Beer (291 HK): An in-line 2H; all eyes on the next price hike and ongoing premiumization trajectory

Rating: BUY | TP: HK\$80.0 (79% upside)

Analyst: Joseph Wong

- Investment Thesis:** 2H21 net profits came in at RMB296mn, in line with the company's profit alert in which management indicated full year net profit to fall within RMB4.4-4.7bn, as a result of 1) a RMB1.3bn non-recurring gain on land transfer, 2) an expanding GPM driven by price hikes and premiumization, 3) a lower admin expense due to reduction of impairment loss and other one-off costs, and 4) a higher selling expense due to an increase in marketing spending.
- 2H21 shipment was 4.7mn kl, down 6.8% y-y, slightly ahead of our forecast at -7.5%. Despite the decline, we note a solid premiumization trend with a 28% growth in premium shipment to 1.87mn kl. Although this came in slightly below guidance at 30% (due to geographic mix subject to lockdowns), this effectively fueled a 5% ASP uptick, which not only neutralized a volume hiccup but also brought 2H revenue to RMB13.7bn.
- During the management call, management commented that they will not adjust their full-year and long term target owing to the pandemic. While focusing on a c.25% sub-premium/ premium shipment growth for 2022E, management still aims to achieve 4mn kl sub-premium+ shipment by 2025E. Separately, management expects a RMB1.5-1.6bn cost inflation for 2022 due mainly to price hikes from raw material and packaging costs. We will keep watching the trajectory.
- Valuation:** Our new TP is still based on 29.0x end-22E EV/EBITDA, which represents 3-year average. We set our target multiple at LT average to reflect any mean reversion once investors look past the current volume hiccup, and upon the realization of gross margins expansion as market consensus now expects.

Link to latest report:

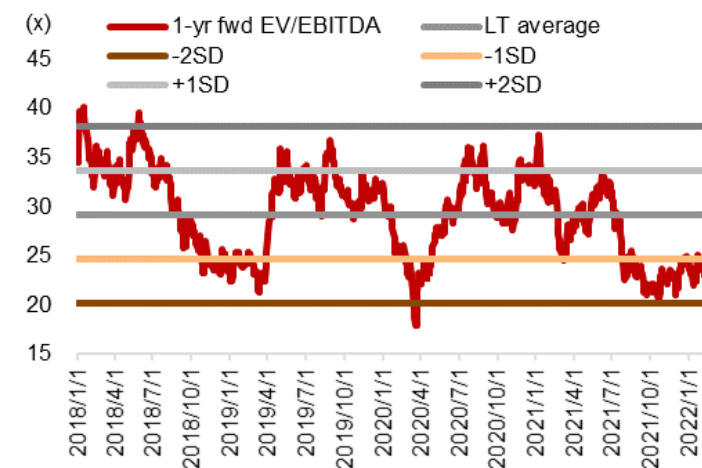
- [Consumer Staples – Cherry-picking winners amid a de-risking mentality](#)
- [CR Beer \(291 HK\) – 2H21 results in-line; premiumization progress on track](#)

Financials and Valuations

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E
Revenue (RMB mn)	31,448	33,092	35,216	37,401
YoY growth (%)	(5.2)	5.2	6.4	6.2
Net income (RMB mn)	2,094	4,406	4,337	5,235
EPS (RMB)	0.8	1.0	1.3	1.6
YoY growth (%)	32.6	21.4	33.9	20.7
Consensus EPS (RMB)	N/A	0.9	1.3	1.7
P/E (x)	N/A	53.2	39.7	32.9
P/B (x)	N/A	6.9	6.3	5.6
Div Yield (%)	N/A	0.8	1.0	1.2
ROE (%)	13.0	14.0	16.6	17.9
Net gearing (%)		Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward EV/EBITDA



Source: Company data, CMBIGM estimates

Mengniu (2319 HK): Raw milk price remained a lingering drag to 2H21 GPM; 2022E guidance maintained

Rating: BUY | TP: HK\$57.0 (46% upside)

Analyst: Joseph Wong

- **Investment Thesis:** Recurring 2H21 net profit was flat YoY at RMB2bn, in line with our expectation. A 10% top line growth along with a 0.4pp operating cost savings was impressive, but both were in turn offset by a 35% GPM that came below our expectation.
- 2H21 revenue stood at RMB42bn, up 10% YoY, slightly ahead of our estimates, thanks to strong ice cream revenue which grew two-fold to RMB1.2bn. This is because milk formula revenue was slightly behind us at RMB2.4bn, while liquid milk revenue was in line at RMB37bn. New products contributed to a steady 15% to total revenue.
- By segment, on a full year basis, liquid milk revenue was up 13% YoY, of which UHT milk up 16% YoY while that of fresh milk was up 85% YoY. The latter snapped up another 2.3pp share to 13.4% of the market. Management reinforced that the business unit has turned profitable and foresee a better-than-group-average profit margins in 3 years. Separately, ice cream revenue up 61% YoY with recurring domestic revenue going up by 19% YoY (excluding the acquisition of Aice by March 2021).
- Despite the strength in revenue, 2H21 GPM came in at 35.1% and was below our expectation of 36.1% on high milk cost. Management assured that raw milk price pressure has been easing and tapering from 15%+ over 1H21. For now, now, management still projects raw milk price to grow at HSD in 2022.
- **Valuation:** Our TP is still based on 30x end-22E P/E, which represents +1sd above its 3-year average. Our target multiple also benchmarks to Yili's.

Link to latest report:

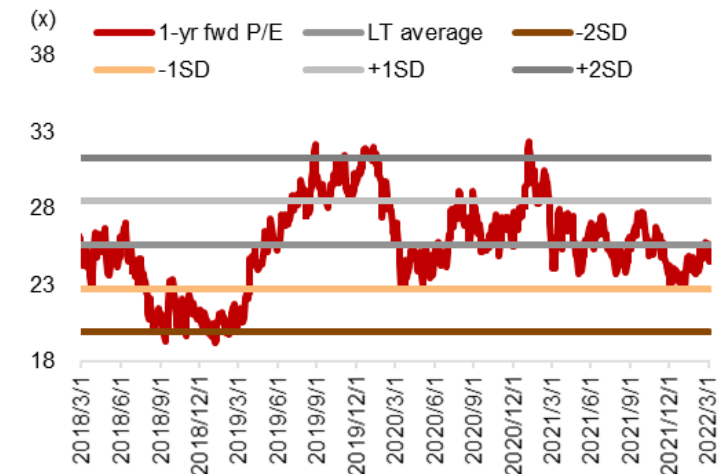
- [Consumer Staples – Cherry-picking winners amid a de-risking mentality](#)
- [Mengniu \(2319 HK\) – Raw milk price remained a lingering drag to 2H21 GPM; 2022E guidance maintained](#)

Financials and Valuations

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E
Revenue (RMB mn)	76,035	87,352	98,165	109,924
YoY growth (%)	(3.8)	14.9	12.4	12.0
Net income (RMB mn)	3,525	4,876	6,119	7,359
EPS (RMB)	0.9	1.3	1.6	1.9
YoY growth (%)	8.6	48.5	16.9	20.3
Consensus EPS (RMB)	N/A	1.3	1.7	2.2
P/E (x)	N/A	30.7	26.3	21.8
P/B (x)	N/A	4.3	3.8	3.4
Div Yield (%)	N/A	0.9	1.1	1.4
ROE (%)	9.5	11.8	13.2	14.1
Net gearing (%)	19.0	7.5	(6.5)	(20.3)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

WuXi Biologics (2269 HK): Growth momentum intact

Rating: BUY | TP: HK\$146.12 (182% upside)

Analysts: Jill Wu/Benchen Huang

- Investment Thesis:** WuXi Bio is a world leading biologics CDMO which provides one-stop services of biologics discovery, development and manufacturing for global clients. With capabilities covering mAB, BsAB, ADC, fusion protein and vaccines, WuXi Bio has built a rich pipeline containing a total of 480 projects (as of Dec 2021), including 268 in preclinical stage, 32 in Ph3 stage and 9 in commercial stage. The Company adopts a “Follow-the-molecule” strategy to attract and foster early-stage projects and a “Win-the-Molecule” Strategy to win valuable late-stage projects. As a result of pipeline expansion, WuXi Bio’s backlog reached to US\$13.6bn as of Dec 2021, a guarantee for future revenue growth.
- Our View:** WuXi Bio has well demonstrated its all-round service quality and speed amid the COVID-19 pandemic. COVID-19 projects (vaccine + neutralizing mAb) contributed ~30% or ~RMB3bn of WuXi Bio’s total revenue in 2021, and are expected to generate more than RMB2bn/RMB800mn revenue in 2022/23E. However, we see stronger revenue growth from its non-COVID projects. We expect WuXi Bio’s non-COVID revenue will grow by 78%/54% YoY in 2022E/23E (vs 46%/39% YoY for total revenue), respectively, mainly driven by CMO (commercial) projects. We note that 7 of the Company’s 9 commercial projects were added in 2021, marking the banner year of its commercial manufacturing business. Revenue from Phase III and commercial stage projects accounted for 48% of 2021 total revenue.
- Why do we differ vs consensus:** Our FY22E/23E/24E revenue forecasts are in-line with consensus and we are positive on the Company’s non-COVID related projects besides its strong capability to win new COVID-19 contracts. We also think that WuXi Bio will largely mitigate geopolitical risks on its business with its global manufacturing network covering US, Ireland, Germany and Singapore.
- Valuation:** We derive our target price of HK\$146.12 based on DCF valuation (WACC: 10.17%, terminal growth rate: 4.0%).

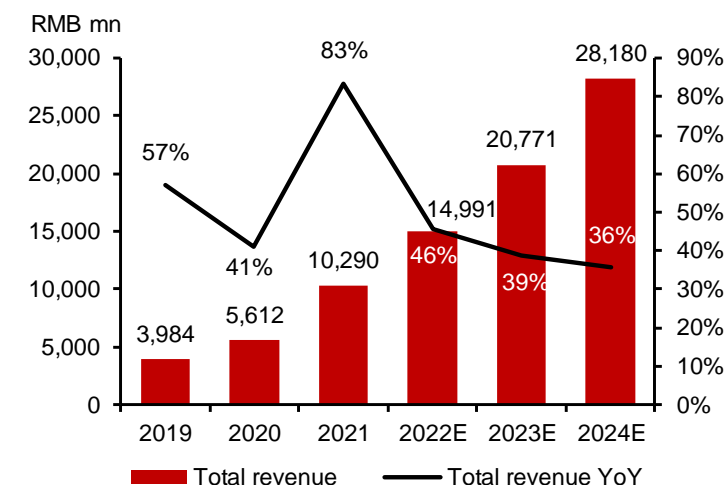
Link to latest report: [WuXi Biologics \(2269 HK\) – Growth momentum intact](#)

Financials and Valuations

(YE 31 Dec)	FY22E	FY23E	FY24E
Revenue (RMB mn)	14,991	20,771	28,180
Revenue YoY growth (%)	46	39	36
Net income (RMB mn)	4,448	6,095	8,296
Adjusted net income (RMB mn)	4,984	7,041	9,772
EPS (RMB)	1.06	1.45	1.97
EPS YoY growth (%)	30	37	36
Consensus EPS (RMB)	1.11	1.48	1.75
P/E (x)	38.4	28.0	20.6
P/B (x)	4.6	3.9	3.3
ROE (%)	12.7	15.1	17.3
Net gearing (%)	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

Innovent Biologics (1801 HK): Expanding portfolio of commercial products

Rating: BUY | TP: HK\$75.01 (302% upside)

Analysts: Jill Wu/ Andy Wang

- Investment Thesis:** Besides the six marketed products, namely sintilimab, three biosimilars, pemigatinib (FGFR) and olverembatinib (BCR-ABL), Innovent further expanded the strategic partnership with Eli Lilly in Mar 2022, and added one newly approved oncology drug ramucirumab (VEGFR2) and one NDA stage asset selpercatinib (RET) to its portfolio. Selpercatinib may receive approval in China in 2022. Moreover, Innovent aims to submit at least three NDAs in 2022, including IBI-306 (PCSK9) for non-FH and HeFH in 1H22, IBI-326 (BCMA CAR-T) for r/r MM in 1H22, and IBI-310 (CTLA-4) in combo with sintilimab for 2L CC in 2H22. Given the comprehensive and fast growing commercial product portfolio, the management targets to realize over RMB20bn sales within the next 5 years.
- Our View:** In addition to the above expanding portfolio of commercial products, Innovent also has established a comprehensive innovative portfolio covering next-generation I/O targets, including CD47/SIRP α , LAG3, TIGIT, KRAS G12C, etc. It's worth noting that Innovent is an early mover in CD47-SIRP α pathway with three assets under development, including IBI188 (CD47 mAb) and IBI322 (PD-L1/CD47 bsAb), and IBI397 (AL008, SIRP α mAb). Innovent anticipates to have more data readout in 2022 for multiple global assets currently at the PoC stage, including IBI-188(CD47), IBI-110 (LAG-3), and IBI-322 (CD47/PD-L1). The Innovent Academy has established over 80 research programs, with seven molecules progressed into IND-enabling stage in 2021, such as first-in-class IL-2 based bispecific antibodies and novel ophthalmology bispecific antibodies. The early stage global-right assets will serve as next wave of innovations for the Company.
- Why do we differ vs consensus:** We are positive on the Company's growth thanks to more products launch in the near future (commercialization of selpercatinib, IBI-306, IBI-326, IBI310 and others in China during 2022-23E) and the NDRL inclusions of sintilimab's large indications effective from Jan 2022.
- Valuation:** We derive our target price of HK\$75.01 based on DCF valuation (WACC: 9.5%, terminal growth rate: 3.0%).

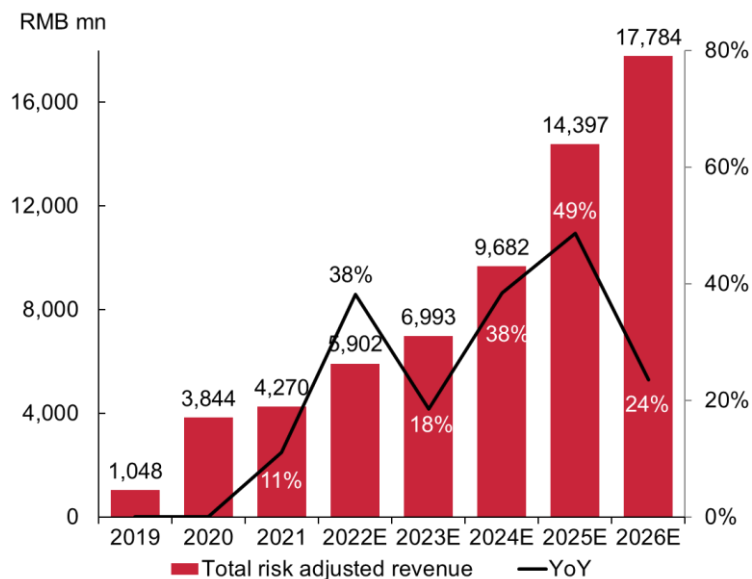
Link to latest report: [Innovent Biologics \(1801 HK\) – Expanding portfolio of commercial products](#)

Financials and Valuations

(YE 31 Dec)	FY22E	FY23E	FY24E
Revenue (RMB mn)	5,902	6,993	9,682
YoY growth (%)	38%	18%	38%
Net loss (RMB mn)	(1,934)	(1,230)	235
EPS (RMB)	(1.32)	(0.84)	0.16
Consensus EPS (RMB)	(1.32)	(0.63)	0.07
R&D expenses (RMB mn)	(2,500)	(2,500)	(2,130)
Capex (RMB mn)	(300)	(300)	(300)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

Postal Savings Bank of China (1658 HK): Sector leading asset quality

Rating: BUY | TP: HK\$8.40 (42% upside)

Analyst: Eric Wang

- Investment Thesis:** Sector-leading asset quality, as of 1Q22, PSBC's NPL ratio stabilized at 0.82% while SOEs and JSBs' average is 1.31% and 1.36% respectively. On provisioning perspective, PSBC maintained a 3.35% allowance to total loan ratio and 414% provision coverage ratio while SOEs/JSBs' average is 3.17%/2.81% and 255%/224% respectively. Another advantage of PSBC is that it has less risk exposure on property industry than any other large and mid-sized banks. Only 2 % of its loan is property loan while sector average is above 6% and it almost have zero default on its property lending.
- Optimistic outlook on its long term growth:** Unlike the other 5 SOEs, we are confident that PSBC can maintain a 10% CAGR on net profit growth in next few years, because there is no TLAC influence on capital reserve and best capital management bank under D-SIBs regulation. In addition to a growing RWA, according to its managements, the Bank is planning to lift LDR 2-3% annually in next few years. The increasing LDR will optimize its efficiency on total assets and then result in a better return on interest bearing assets. New management from CM Bank will optimize PSBC's business strategy on retail banking business and we have already seen fast growth on its wealth management business. As of the end of 1Q22, fee & commission income grew 39.6% YoY.
- Catalysts:** less risk exposure on property is the key. Less risk exposure on property sector and NPL ratio of property loan is quite low. With uncertainty on property market, PSBC will outperform on asset quality. In addition, since its low valuation and 30% dividend payout, the downside is limited. In addition, because of its fast loan growth and sufficient CET-1 capital, it can maintain two-digit year-on-year growth on earnings.
- Valuation:** Based on Gordon Growth Model, our target price on PSBC is HK\$8.40, implies 0.91x 2022E and 0.85x 2023E P/B. The stock is trading at 0.67x/0.62x FY22/23E P/B, equivalent to +1SD of 3-yr historical mean.

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	318,762	346,050	381,008	425,213
Net profit	76,170	86,537	94,256	102,466
EPS (RMB)	0.78	0.94	1.02	1.11
Consensus EPS (RMB)	0.78	0.89	1.01	1.15
P/B (x)	0.65	0.72	0.66	0.61
Dividend yield (%)	5.6%	5.2%	5.7%	6.2%
ROE (%)	11.9%	10.5%	10.7%	10.9%
NPL ratio (%)	0.82%	0.81%	0.80%	0.78%
Provision coverage (%)	419%	439%	446%	456%

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Key indicators in 1Q22

Bank	NIM	NPL ratio	Allowance to total loan	Provision coverage	Revenue YoY chg
ICBC	2.10%	1.42%	2.98%	210%	6.5%
CCB	2.15%	1.40%	3.45%	246%	7.3%
ABC	2.82%	1.41%	4.34%	308%	5.9%
BOC	1.74%	1.31%	2.46%	188%	2.1%
BoComm	1.95%	1.47%	2.45%	167%	7.7%
PSBC	2.40%	0.82%	3.35%	414%	10.1%
CMB	2.51%	0.94%	4.35%	463%	8.5%
CIB	1.80%	1.10%	2.95%	269%	6.7%
Citic	1.87%	1.35%	2.49%	184%	4.1%
CEB	2.55%	1.24%	2.33%	188%	0.2%
PAB	2.80%	1.02%	2.94%	289%	10.6%
CMBC	1.69%	1.74%	2.49%	143%	-14.9%
CZB	2.03%	1.53%	2.71%	177%	18.4%
SPDB	1.73%	1.58%	2.32%	147%	1.0%
HXB	2.13%	1.75%	2.68%	153%	1.6%
JSB average	2.12%	1.36%	2.81%	224%	4.0%
SOE average	2.19%	1.31%	3.17%	255%	6.6%

Source: Company data, CMBIGM estimates



Link to latest report: [China Banking Sector – 4Q21 Quarterly Review](#)

PICC P&C (2328 HK): Expect CoR improvement in FY22

Rating: BUY | TP: HK\$11.64 (55% upside)

Analyst: Gigi Chen

▪ **Investment Thesis:** Underwriting profit of PICC P&C grew 10.8% YoY to RMB4.3bn, driven by solid premium income growth of 12.2% and 0.1ppt YoY improvement in combined ratio. The UW margin improvement was primarily due to a 2.9ppt YoY reduction in non-auto combined ratio. During the 1Q22 analyst briefing, the management reiterate the FY22 guidance of below 97% CoR of auto insurance and below 100% CoR of corporate business. We expect the double-digit premiums growth to sustain into FY22. Under C-ROSS 2.0, PICC P&C's core solvency margin remained high at 203% at end-1Q22 (vs 50% minimum requirement). And the insurer reiterated its progressive dividend policy. We believe the recovery of auto insurance and improvement in non-auto business will drive stock re-rating. Reiterate Buy.

▪ **Catalysts:**

- Strong monthly premium income momentum.
- Overhang of NEV auto insurance removed: After the launch of new insurance clauses and pricing rate of new energy vehicles (NEVs) or electric vehicles (EVs) in Dec 2021, the combined ratio of NEV insurance improved to around 97% in 1Q22 from the previous 100%+.

▪ **Valuation:** The stock is trading at 0.7x P/BV FY22E or 6x P/E FY22E, with over 7% dividend yield and 12%-14% ROE, well below historical average valuation. Reiterate Buy.

Link to latest report:

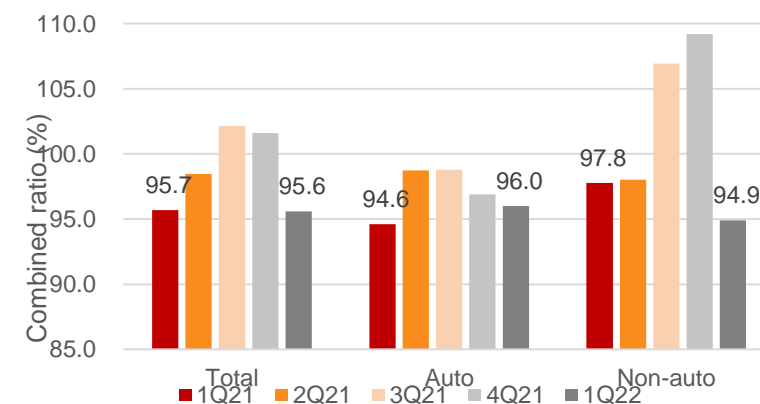
- [PICC P&C \(2328 HK\) – CoR improvement in 1Q22](#)
- [PICC P&C \(2328 HK\) – Expect CoR improvement in FY22](#)
- [PICC P&C \(2328 HK\) – Auto growth pick up; Non-auto UW to improve](#)
- [China Insurance – P&C growth rebound; Life slow momentum into 1Q22; Prefer P&C over life insurance in 1H22](#)

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
GWP (RMB mn)	449,533	494,486	543,935	598,328
YoY growth (%)	3.8	10.0	10.0	10.0
UW profit (RMB mn)	1,521	4,422	6,760	7,436
Net profit (RMB mn)	21,652	25,268	30,093	3,914
EPS (RMB)	1.0	1.1	1.4	1.5
YoY Growth (%)	3.8	16.7	19.1	12.7
Consensus EPS (RMB)	1.1	1.2	1.3	1.4
P/B (x)	0.7	0.7	0.6	0.6
PER (x)	6.5	5.6	4.7	4.2
Yield (%)	6.4	7.5	8.9	10.0
ROE (%)	11.0	12.0	13.3	13.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PICC combined ratio quarterly 1Q21-1Q22



Source: Company data, Bloomberg, CMBIGM estimates

Kuaishou (1024 HK): Looking beyond 2Q22E epidemic resurgence

Rating: BUY | TP: HK\$120*

Analyst: Sophie Huang

- Investment Thesis:** Despite soft macro and epidemic resurgence, we expect Kuaishou to be relatively resilient (vs. peers) on its ads and ecommerce share gain. We are more positive on its operating leverage and disciplined cost in FY22E (forecasting adj. NPM at -13%). Kuaishou would deliver in-line 1Q22, with rising DAU, solid topline and narrowing loss. Lockdown disruptions has been partly priced in recent price softness. Suggest to buy the dips for attractive valuation.
- Our View:** Given traffic strong seasonality, we expect DAU +15% YoY in 1Q22E, with rising time spent, backed by: 1) CNY & Olympics promotions and 2) structure adjustment. 1Q22E would see solid rev growth (forecasting +22% YoY), despite multiple headwinds. Given lockdowns from Mar, 2Q22E would bear ST pressure, with rev +10% YoY. However, we think upcoming SH reopening and COVID stabilization matters more, as weak 2Q22E was well anticipated by the market. Suggest to look into ads & ecommerce rebound after lockdown relaxation, with potential positive regulation signals.
- Why do we differ vs consensus:** Market concern lies on epidemic resurgence, livestreaming policy and pressure from Douyin. We believe near-term concern have been priced in and its financials outlook was well-guided. Downside risk of earnings and multiple are limited.
- Catalysts:** 1) potential upbeat 1Q22E; 2) Meituan synergies to expand TAM; 3) ecommerce to outperform.
- Valuation:** Maintain BUY with SOTP-based TP of HK\$120. Valuation is attractive, given its resilient growth and narrowing loss, in our view.

Link to latest report: [Kuaishou \(1024 HK\) – Share gain continued, despite epidemic pressure](#)

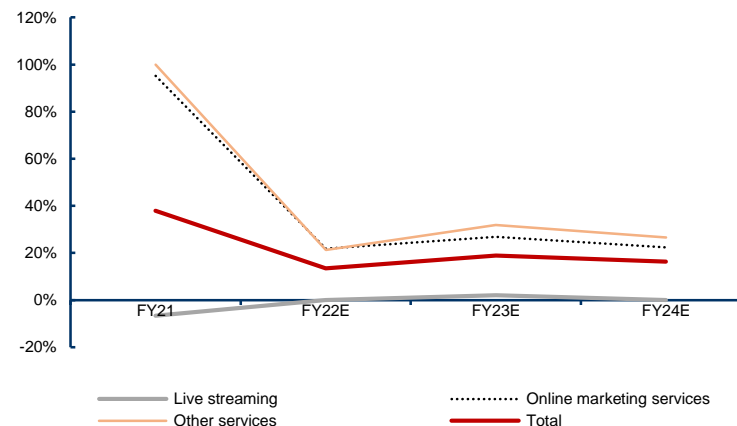
*TP under review

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	81,082	93,965	111,798	130,159
YoY growth (%)	37.9	15.9	19.0	16.4
Net income (RMB mn)	(18,852)	(12,507)	(4,823)	2,382
EPS (RMB)	(4.6)	(2.8)	(1.1)	0.5
YoY growth (%)	N/A	N/A	N/A	N/A
Consensus EPS (RMB)	N/A	(2.7)	(0.4)	2.2
P/E (x)	N/A	N/A	N/A	N/A
P/S (x)	2.7	2.3	2.0	1.7
Yield (%)	0.0	0.0	0.0	0.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: KS's revenue growth estimates



Source: Company data, CMBIGM estimates

CR Land (1109 HK): Rental income to ride on consumption recovery

Rating: BUY | TP: HK\$44.79 (33% upside)

Analysts: Jeffrey Zeng/ Xiao Xiao

- Investment Thesis:** In 2022, we favor 1) Names with high % of rent-bearing mall property: We expect a personal spending boom in 2021 on a) high deposit rate (1 - expenditure-to-income ratio) in 2020, b) wealth effect of the stock market, and c) the gradual distribution of COVID-19 vaccines. 2) “Borderline green-zone” names: Under current tight policy and stable market, sales growth depends on an increase in goods value, which in turn depends on an increase in corresponding debt. “Green-zone” (those meeting all three red lines) and “borderline green-zone” (those that can meet all three by YE20) names will have 5-10% edge in debt growth. Such a gap could widen given restricted land cost and rising sales GP margin.
- Our View:** Investment highlights for CR Land are 1) 30%+ growth in mall rent collection in 2021, 2) CR City Phase IV boosting Shenzhen's sales share and overall GPM. 3) Spin-off of rent collection business to generate value. We see the promotion of CR City Phase IV in Dec 2020 and upcoming results announcement as major catalysts.
- How do we differ:** Overall, we see the market as over-concerned on 1) further policy tightening and 2) decline in property demand. We think the high saving rate and wealth effect of 2020 would help drive consumption recovery, which would benefit major shopping mall runners in the property space (i.e. CR Land) to accelerate rental income growth.
- Valuation:** The Company currently trades at 8x 2022E P/E vs. historical average of 9x. Moreover, the increase in revenue share of rent collection business could trigger re-rating.

Link to latest report: [China Property Sector – Bumpy road ahead despite better-than-feared 2M22 data](#)

Financials and Valuations

(YE 31 Dec)	FY19A	FY20A	FY21A	FY22E
Revenue (RMB mn)	147,736	179,587	242,568	271,335
YoY growth (%)	21.9	21.2	35.1	11.9
Net income (RMB mn)	28,672	29,810	31,809	34,666
EPS (RMB)	4.12	4.18	4.46	4.86
YoY growth (%)	17.7	1.5	6.7	9.0
Consensus EPS (RMB)	N/A	N/A	4.05	4.63
P/E (x)	7.7	7.6	7.2	6.6
P/B (x)	1.3	1.2	1.0	0.9
Yield (%)	3.3	3.9	4.7	5.3
ROE (%)	16.5	13.7	14.6	14.3
Net gearing (%)	30.3	32.1	31.6	34.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CR Land's opening plan



Source: Company data, CMBIGM

CG Services (6098 HK): 13-20% earnings boost from Languang acquisition

Rating: BUY | TP: HK\$47.6 (69% upside)

Analysts: Jeffrey Zeng/ Xiao Xiao

- Investment Thesis:** we are very confident on its >RMB100bn revenue target by 2025E (50% CAGR) as 1) contracted GFA to exceed 1.3bn sq m in 2021E after acquiring Languang; 2) step into commercial property managements which is another blue sea; 3) fast-growing VAS via offering more comprehensive services (e.g. community group shopping, insurance) to increase VAS/sq m to RMB30; and 4) city services to further widen BtoG and BtoB business connection. Reiterate CGS as our Top Pick on growth visibility and VAS.
- Our View:** We with high visibility as its parentco could achieve >70mn GFA sales per year. Unlike most players, CGS has turned its M&A focus to community VAS expansion, reflected in City-Media (elevator ads), Hopefluent (real estate agency) and Wenjin International (insurance) acquisitions. Together with CGS' own booming retail business (with the help of its Parentco sourcing), we believe expect managed GFA to grow at a stable 30% CAGR in 2019-2022E the Company would be the key winner in VAS growth.
- How do we differ:** We value CGS' potential in VAS which the market has not yet recognized. With CGS's strong capital and execution, we think the Company can improve its VAS per sq m from current RMB3/sq m to RMB30/sq m in the future, getting closer to the level of RMB50-56 in US and Japan. We think its Community VAS could contribute as much as RMB5bn net income in the mid-to-long run, and may be worth RMB150bn valuation alone by assigning 30x PE.
- Valuation:** It's currently trading at 18x 2022E PE and looks attractive. We think it will rerate after better-than-expected 1H22 results.

Link to latest report: [CG Service \(6098 HK\) – Keeping low for its second takeoff](#)

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	9,645	15,600	27,265	39,683
YoY growth (%)	106.3	61.7	74.8	45.5
Net income (RMB mn)	1,671	2,686	4,649	6,479
EPS (RMB)	0.63	0.98	1.57	2.20
YoY growth (%)	69.8	55.7	61.3	39.4
Consensus EPS (RMB)	N/A	N/A	1.28	1.75
P/E (x)	N/A	32.7	20.8	14.8
P/B (x)	N/A	11.2	18.6	11.8
Yield (%)	N/A	0.2	1.2	1.7
ROE (%)	31.1	18.4	25.8	28.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: CGS has first-move advantage in VAS acquisitions

Date	Target company	Business	Stake	Consideration (RMB mn)
Apr-20	Wenjin Insurance	Insurance	100%	84
Apr-20	Hopefluent	Property agency	100%	92
Jul-20	City Media	Elevator ads	100%	1,500

Source: Company data, CMBIGM estimates

Goertek (002241 CH): Strong VR momentum into 2H22E;

Maintain BUY

Rating: BUY | TP: HK\$40.8 (16% upside)

Analysts: Alex Ng/ Lily Yang

- **Investment Thesis:** Goertek is global leader in precision components (acoustics, microelectronic), wearables products (Airpods) and AR/VR products (Oculus, Pico, Sony VR). We believe it is well-positioned to capture growth opportunities backed by solid product roadmap and market share gain in key products, such as AR/VR, gaming console, smart watch.
- **Our View:** We are positive on Goertek's product portfolio and strong momentum in VR/gaming console in FY22-23E. For 1H22E, company pre-announced net profit of RMB2.08-2.42bn, up 20-40% YoY, implying 2Q22 NP growth of 59-99% YoY. We think the profit alert alleviated market concerns on AirPods weakness, COVID-19 impact and VR momentum in 2022. Looking into 2H22E, we believe Goertek growth momentum will continue with multiple product launches from new-gen AirPods, Quest 2 Pro and PS VR2. Overall, we expect Goertek's earnings to grow 33%/21% in FY22/23E, backed by 62%/26% growth in smart product segment (VR, gaming console, smart watch). We believe recent pullback provides good buying opportunity, given its solid product roadmap and high earnings visibility in AR/VR and gaming console biz.
- **Why do we differ vs consensus:** Our FY22-24E EPS are largely in-line with consensus, but we expect AR/VR upside will drive re-rating.
- **Catalysts:** Near-term catalysts include product launches, China demand recovery and client order wins.
- **Valuation:** Our TP of RMB\$40.8 is based on 28x FY22E P/E, based on 7-year historical avg. P/E.

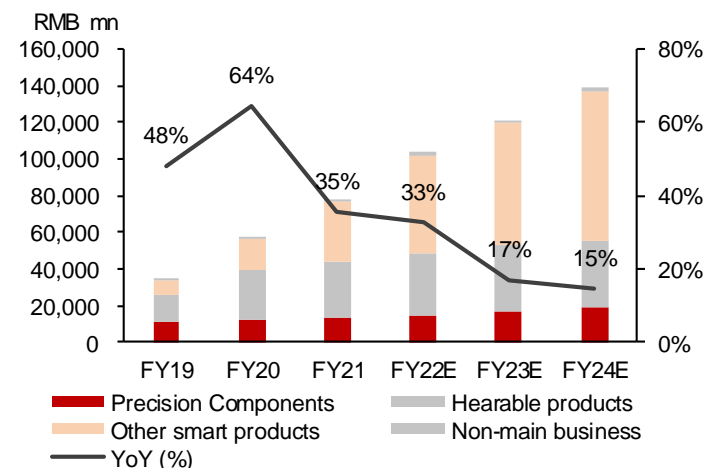
Link to latest report: [Goertek \(002241 CH\) – Strong VR momentum into 2H22E; Maintain BUY](#)

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	78,221	103,687	121,268	138,872
YoY growth (%)	35.5	32.6	17.0	14.5
Net profit (RMB mn)	4,275	5,853	7,086	8,610
EPS (RMB)	1.29	1.71	2.07	2.52
YoY growth (%)	44.9	32.8	21.1	21.5
Consensus EPS (RMB)	1.29	1.66	2.10	2.59
P/E (x)	28.4	21.4	17.6	14.5
P/B (x)	4.5	3.2	2.7	2.3
Yield (%)	0.5	0.9	0.9	1.0
ROE (%)	15.3	18.1	18.5	18.8
Net gearing (%)		Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Goertek Revenue trend



Source: Company data, CMBIGM estimates

Willsemi (603501 CH): A diversified & established global CIS player

Rating: BUY | TP: RMB200.00 (33% upside)

Analysts: Lily Yang/ Alex Ng

- **Investment Thesis:** Willsemi is a top 3 manufacturer in global CIS market. We expect auto/security CIS will maintain strong momentum, partially offset by a relative weak mobile CIS segment. We hold a positive outlook and believe Willsemi's stock is attractive given current valuation.
- **Our View:** Although we think the short-term performance is challenging under current market environment, we still remain positive on Willsemi's long-term outlook. The mobile market weakness is likely to persist into 2Q22, which has been largely priced in. The Company's non-mobile business should remain largely intact and will be key growth driver in the following years. Maintain BUY with TP of RMB200.
- **Why do we differ vs consensus:** We derive Willsemi's revenue growth based on sub CIS market growth. We give a lower than consensus mobile CIS growth & higher than consensus on auto, security & AR/VR growth.
- **Catalysts:** Favorable policies to support domestic economics, ease of pandemic, supply chain recovery and new products announcements.
- **Valuation:** Our new TP is RMB200.0. Current price at RMB152.57 implies ~22x 2023E P/E, which looks attractive.

Link to latest report:

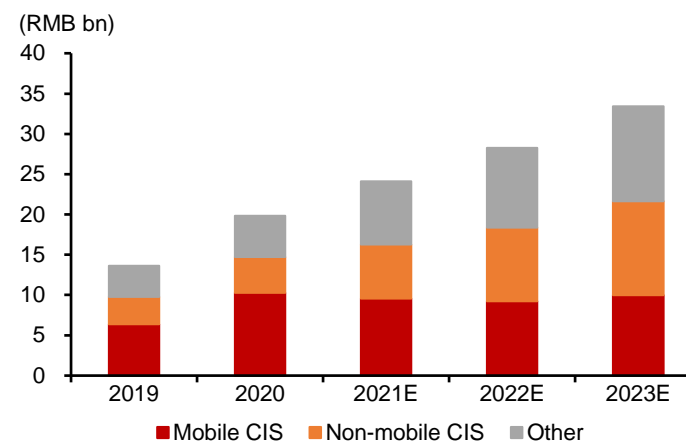
- [Willsemi \(603501 CH\) – The feared bad 1Q22 is gone; All eyes on the recovery](#)
- [China CIS Sector – Can non-mobile CIS strength offset handset weakness? We remain cautiously optimistic](#)

Financials and Valuations

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E
Revenue (US\$ mn)	19,824	24,104	28,269	33,428
YoY growth (%)	45.4	21.6	17.3	18.2
Gross margin (%)	29.9	34.5	34.9	35.4
Net profit (US\$ mn)	2,706	4,476	5,040	6,198
EPS (US\$)	3.21	5.16	5.70	6.96
YoY growth (%)	322.4	60.7	10.4	22.2
Consensus EPS (US\$)	N/A	N/A	6.44	8.23
PE (x)	42.0	26.1	23.6	19.3
ROE (%)	23.5	27.5	22.5	21.1
Net gearing (%)	6.7	10.9	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Willsemi revenue trend



Source: Company data, CMBIGM estimates

Glodon (002410 CH): Bearing fruits from SaaS transformation

Rating: BUY | TP: RMB72.03 (54% upside)

Analyst: Marley Ngan

- Investment Thesis:** Although property sector weakness persists, we think Glodon's cash flow is less fluctuated with macro environment as its core costing SaaS products have high user stickiness. We expect Glodon to deliver 24% net profit CAGR in FY21-24E and that cash flow will remain strong with FCF margin at 16-18% throughout FY21-24E.
- Our View:** We like Glodon for its successful SaaS transition. Glodon delivered strong FY1Q21 with revenue growth of +33% YoY to RMB1,131mn. Even for project-based Construction Management business, Glodon delivered +29% YoY revenue growth in FY1Q21 despite property sector weakness. Looking into FY22E, Glodon gave upbeat guidance of 1) Costing SaaS newly signed contract amounts to RMB4bn (+26% YoY), 2) Construction Management revenue +30% YoY growth. Overall, we are encouraged to see 1) +36% YoY in SaaS contracted liabilities, 2) improving operating leverage and 3) strong free cash flow.
- Why do we differ vs consensus:** We think property SaaS players performance is diverging amid uncertain macro environment. Cash flow is important and that earnings/ cash flow visibility on Glodon is high.
- Catalysts:** Better than expected ARPU in Costing SaaS and improving net profit margin in 2Q22. Property sector recovery in 2H22.
- Valuation:** We derive our target price of RMB72.03 on 12x FY22E EV/sales, in-line with its 3-year mean. Glodon deserves re-rating as 1) free cash flow continues to improve with increasing SaaS contribution and 2) operating leverage from SaaS transition is emerging.

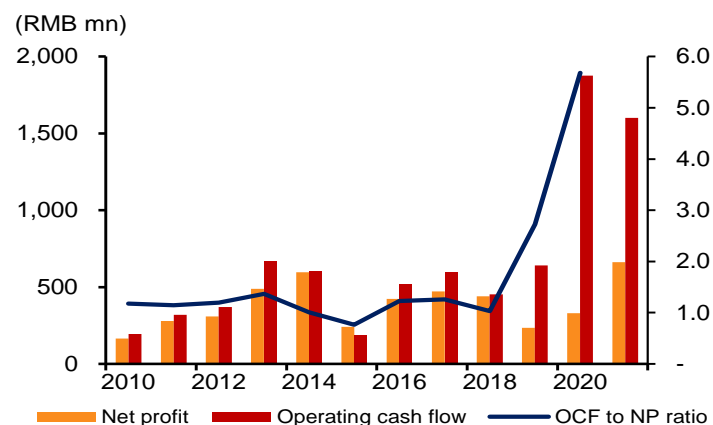
Link to latest report: [Glodon \(002410 CH\) – 1Q22 beat, cash flow fluctuations manageable](#)

Financials and Valuations

(YE 31 Dec)	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	5,619	6,760	7,964	9,389
YoY growth (%)	40	20	18	18
Net profit (RMB mn)	661	904	1,050	1,261
EPS (RMB)	0.56	0.76	0.88	1.06
YoY growth (%)	99	37	16	20
Consensus EPS (RMB)	0.56	0.83	1.11	1.42
PE (x)	85.7	62.7	54.0	45.0
EV/sales	9.4	7.7	6.4	5.3
Dividend Yiled (%)	0.01	0.00	0.00	0.00
ROE (%)	11	15	17	17
Net debt to equity	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Glodon operating cash flow to net profit ratio



Source: Company data, CMBIGM estimates

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months

HOLD : Stock with potential return of +15% to -10% over next 12 months

SELL : Stock with potential loss of over 10% over next 12 months

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

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited (“CMBIGM”) is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Disclosures & Disclaimers

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this document may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This document has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this document. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this document and CMBIGM will not assume any responsibility in respect thereof. This document is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.