

COMPANY RESULTS

Niu Technologies (NIU US)

2021: Profit Up 34% Yoy, In Line With Our Estimates

Niu's 2021 net profit came in at Rmb226m (+34% yoy), slightly above our estimate of Rmb222m and below consensus' estimate of Rmb245m, with the spike in store count in 4Q21 boosting the SG&A. Looking ahead, management guides for 45-64% growth in sales volume to 1.5m-1.7m units, and a rebound of blended ASP and gross margin in 2022, based on optimisation of product mix. 2022-23 EPS remains unchanged. Maintain BUY. Target price: US\$37.00.

2021 RESULTS

Year to 31 Dec (Rmbm)	2021	yoy % chg	4Q21	yoy % chg	qoq % chg	Comments
Revenue	3,705	51.6	986	46.7	(19.6)	Sales volume grew 73% yoy, and ASP fell 12% yoy in 2021.
Gross profit	813	45.4	223	31.6	(9.3)	Gross margin erosion due to higher share of Zero series in sales mix.
EBIT	274	45.3	57	(17.1)	(48.2)	
Net profit	226	33.9	48	(18.2)	(48.1)	
Core net profit	273	31.1	60	(12.3)	(41.2)	

Source: Niu

RESULTS

• **2021 earnings up 34%, in line with estimates.** Niu Technologies' (Niu) 2021 net profit and core net profit came in as expected at Rmb226m (+34% yoy) and Rmb273m (+31% yoy), vs our estimate of Rmb222m and consensus' estimate of Rmb245m. That implies 4Q21 net profit of Rmb48m (-18% yoy/-48% qoq) and Rmb60m (-12% yoy/-41% qoq). The earnings drop in 4Q21 was expected and it was due to a seasonal qoq drop in sales volume and spike in SG&A as a result of an expansion of distribution network. Revenue grew 47% yoy and dropped 20% qoq on +59/-40% sales volume growth and -5/+30% ASP growth, as the share of the entry-level Zero series halved qoq to 20% in 4Q20. Gross margin rebounded by 2.6ppt qoq to 22.6% in 4Q21, but was still 2.6ppt lower than that in 4Q20. SG&A as a percentage of revenue surged by 0.7ppt yoy and 6.6ppt qoq to 19.1% in 4Q21, as the number of franchise stores spiked by 92% yoy and 16% qoq to 3,106 as of end-21.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2020	2021	2022F	2023F	2024F
Net turnover	2,444	3,705	5,789	8,385	11,334
EBITDA	239	350	610	869	1,163
Operating profit	188	274	497	720	974
Net profit (rep./act.)	169	226	406	591	806
Net profit (adj.)	208	273	406	591	806
EPS (fen)	108	145	260	379	517
PE (x)	33.3	23.2	12.9	8.9	6.5
P/B (x)	5.5	4.1	3.1	2.3	1.7
EV/EBITDA (x)	21.3	14.5	8.3	5.9	4.4
Dividend yield (%)	-	-	-	-	-
Net margin (%)	6.9	6.1	7.0	7.1	7.1
Net debt/(cash) to equity (%)	(34.8)	(27.5)	(83.8)	(66.5)	(111.8)
Interest cover (x)	(133.9)	345.6	(47.8)	(37.8)	(28.8)
ROE (%)	18.9	20.0	27.7	30.1	30.2
Consensus net profit	-	-	427	593	n.a.
UOBKH/Consensus (x)	-	-	0.95	1.00	n.a.

Source: Niu, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	US\$10.44
Target Price	US\$37.00
Upside	+254.4%

COMPANY DESCRIPTION

Niu Technologies manufactures and sells electric two-wheeled vehicles, including 2WEVs and electric bicycles, as well as chargers and other parts of electric two-wheeled vehicles.

STOCK DATA

GICS sector	Industrial
Bloomberg ticker:	NIU US
Shares issued (m):	153
Market cap (US\$m):	796
3-mth avg daily t'over (US\$m):	1.1

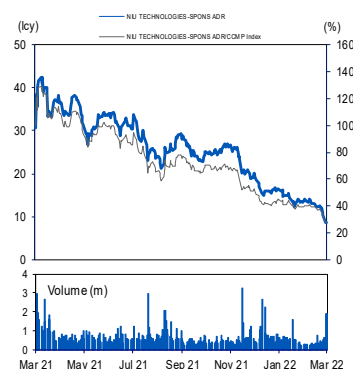
Price Performance (%)

52-week high/low	HK\$6.58/HK\$3.86			
1mth	3mth	6mth	1yr	YTD
(21.6)	(46.2)	(64.3)	(68.9)	(35.2)

Major Shareholders

Mr. Li Yi'nan	33.70
Mr. Hu Yilin	6.32
-	-
FY21 NAV/Share (Rmb)	10.92
FY21 Net Cash/Share (Rmb)	6.32

PRICE CHART



Source: Bloomberg

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STOCK IMPACTS

- **Management expects Niu's sales volume to grow by 45-64% yoy to 1.5m-1.7m units in 2022**, based on the buoyant growth in China's two-wheeled electric vehicle (2WEV) market and the company's strong product pipeline. We expect China's 2WEV sales to grow at 15% CAGR over the next three years, driven by the implementation of the New National Standard of 2WEVs. Led by Beijing and Jiangsu, the big cities in China are stepping up in implementing the new national standard for 2WEVs, stimulating replacement demand for the non-compliant electric bicycles and electric scooters. As for product pipeline, Niu currently only has electric scooter products. In 2022, Niu will launch electric kick scooters, electric bicycles and electric performance motorcycles (equivalent to 100-150cc fossil-fuel motorcycles) to tap the different segments of the global 2WEV market. We keep sales volume forecasts unchanged at 1.6m/2.3m units for 2022/23 and introduce our 2024 sales volume forecast of 3m units.
- **ASP and gross margin expected to rebound further in 2022.** Management guides for further rebounds in ASP and gross margin from 4Q21 to 2022, based on optimisation of product mix and hikes in product prices. In 2022, Niu will only launch one model under the entry-level Zero series and at least three models under the mid- to high-end (ie 2 series, 3 series and 6 series), and thus the share of Zero series will likely decline further from 20% in 4Q21. Meanwhile, Niu has recently raised product prices by Rmb200/unit (or 5%) to pass on the cost hikes, boosting gross margin. We keep 2022-23 gross margin unchanged at 23%.

EARNINGS REVISION/RISKS

- **Earnings estimates unchanged.** We maintain 2022-23 net profit forecasts at Rmb406m and Rmb591m respectively and introduce 2024 net profit forecast of Rmb806m.

VALUATION/RECOMMENDATION

- **Maintain BUY and keep target price at US\$37.00**, based on 10-year DCF (WACC: 23.6%/terminal growth: 4%/10-year FCF growth: 25%) which implies 46x 2022F PE and 1.2x 2022F PEG. Under the bear-case scenario (WACC: 23.6%/terminal growth: 4%/10-year FCF growth: 15%), we estimate the fair value at US\$23, still much higher than the current price.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2021	2022F	2023F	2024F
Net turnover	3,705	5,789	8,385	11,334
EBITDA	350	610	869	1,163
Depreciation & amortization	(76)	(112)	(149)	(190)
EBIT	274	497	720	974
Total other non-operating income	-	-	-	-
Associate contributions	-	-	-	-
Net interest income/(expense)	(1)	10	19	34
Pre-tax profit	273	508	739	1,007
Tax	(47)	(102)	(148)	(201)
Minorities	-	-	-	-
Net profit	226	406	591	806
Net profit (recurrent)	273	406	591	806

CASH FLOW

Year to 31 Dec (Rmbm)	2021	2022F	2023F	2024F
Operating	141	1,243	289	2,146
Pre-tax profit	273	508	739	1,007
Tax	(47)	(102)	(148)	(201)
Depreciation/amortization	76	112	149	190
Associates	-	-	-	-
Working capital changes	(162)	735	(432)	1,184
Non-cash items	1	(10)	(19)	(34)
Other operating cashflows	-	-	-	-
Investing	(197)	(186)	(179)	(214)
Capex (growth)	(200)	(200)	(200)	(250)
Investments	(3,138)	(3,138)	(3,138)	(3,138)
Proceeds from sale of assets	3,138	3,138	3,138	3,138
Others	3	14	21	36
Financing	(62)	(535)	86	(595)
Dividend payments	-	-	-	-
Issue of shares	-	-	-	-
Proceeds from borrowings	180	180	180	180
Loan repayment	(180)	(180)	(180)	(180)
Others/interest paid	(62)	(535)	86	(595)
Net cash inflow (outflow)	(117)	522	196	1,337
Beginning cash & cash equivalent	227	208	731	927
Changes due to forex impact	99	-	-	-
Ending cash & cash equivalent	208	731	927	2,264

BALANCE SHEET

Year to 31 Dec (Rmbm)	2021	2022F	2023F	2024F
Fixed assets	397	417	472	536
Other LT assets	148	67	66	66
Cash/ST investment	208	731	927	2,264
Other current assets	1,688	2,298	2,904	3,401
Total assets	2,441	3,512	4,368	6,267
ST debt	180	180	180	180
Other current liabilities	805	1,609	1,872	2,964
LT debt	-	-	-	-
Other LT liabilities	34	47	48	49
Shareholders' equity	1,265	1,671	2,262	3,068
Minority interest	-	-	-	-
Total liabilities & equity	2,441	3,506	4,368	6,267

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	9.4	10.5	10.4	10.3
Pre-tax margin	7.4	8.8	8.8	8.9
Net margin	5.9	7.0	7.1	7.1
ROA	10.5	13.6	15.0	15.2
ROE	20.0	27.7	30.1	30.2
Growth				
Turnover	51.6	56.3	44.8	35.2
EBITDA	46.6	74.3	42.5	33.9
Pre-tax profit	43.8	86.1	45.6	36.3
Net profit	33.9	79.9	45.6	36.3
Net profit (adj.)	31.1	48.8	45.6	36.3
EPS	33.9	79.9	45.6	36.3
Leverage				
Debt to total capital	7.4	5.1	4.1	2.9
Debt to equity	14.2	10.8	8.0	5.9
Net debt/(cash) to equity	(27.5)	(83.8)	(66.5)	(111.8)
Interest cover (x)	345.6	(47.8)	(37.8)	(28.8)

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