

Shandong Weigao

Bloomberg: 1066 HK Equity | Reuters: 1066.HK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

18 May 2022

BUY

Last Traded Price (17 May 2022): HK\$7.92 (HSI : 20,603)

Price Target 12-mth: HK\$11.40 (44% upside) (Prev HK\$17.70)

Analyst

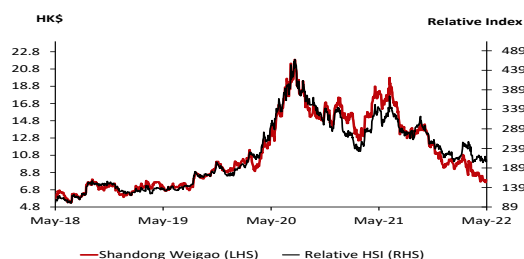
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What's New

- FY22F-23F earnings lowered by 14-18% and TP by 36%; 3 out of 5 segments are exposed to risk of price cuts
- With risk of potential price cuts, share price fallen by 58% from peak in 2021; PE & PB trading at 3-year low, at 1 SD below average historical levels, negatives largely priced in
- Potential value of HK\$3.46 per share expected through spin-off of interventional, blood management, and pharma packaging segments, implying 44% upside to share price; Maintain BUY

Price Relative



Forecasts and Valuation

| FY Dec (RMBm) | 2021A | 2022F | 2023F | 2024F |
|--------------------------------|--------|--------|--------|--------|
| Turnover | 13,152 | 13,759 | 14,642 | 15,806 |
| EBITDA | 3,562 | 3,530 | 3,755 | 4,044 |
| Pre-tax Profit | 2,842 | 3,017 | 3,221 | 3,490 |
| Net Profit | 2,245 | 2,431 | 2,595 | 2,811 |
| Net Pft (Pre Ex) (core profit) | 2,245 | 2,431 | 2,595 | 2,811 |
| Net Profit Gth (Pre-ex) (%) | 7.6 | 8.3 | 6.7 | 8.3 |
| EPS (RMB) | 0.50 | 0.54 | 0.58 | 0.63 |
| EPS (HK\$) | 0.58 | 0.63 | 0.68 | 0.73 |
| EPS Gth (%) | 7.6 | 8.3 | 6.7 | 8.3 |
| Diluted EPS (HK\$) | 0.58 | 0.63 | 0.67 | 0.72 |
| DPS (HK\$) | 0.17 | 0.19 | 0.20 | 0.22 |
| BV Per Share (HK\$) | 4.96 | 5.23 | 5.70 | 6.22 |
| PE (X) | 13.6 | 12.5 | 11.7 | 10.8 |
| P/Cash Flow (X) | 10.0 | 13.9 | 14.5 | 14.4 |
| P/Free CF (X) | 11.5 | 18.1 | 19.0 | 18.9 |
| EV/EBITDA (X) | 7.7 | 7.4 | 6.8 | 6.1 |
| Net Div Yield (%) | 2.1 | 2.4 | 2.5 | 2.7 |
| P/Book Value (X) | 1.6 | 1.5 | 1.4 | 1.3 |
| Net Debt/Equity (X) | CASH | CASH | CASH | CASH |
| ROAE (%) | 12.0 | 12.3 | 12.2 | 12.1 |
| Earnings Rev (%) | | (14) | (18) | New |
| Consensus EPS (RMB) | | 0.58 | 0.65 | 0.73 |
| Other Broker Recs: | | B:10 | S:0 | H:4 |

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

Unlocking value through spin-off

Investment Thesis

Negatives largely priced in. Share price has plummeted 58% from its peak less than one year ago due to government-imposed price cuts for bulk procurement. With the stock PE & PB currently trading at a 3-year low and 1SD below average historical levels, we believe negatives are largely priced in.

Potential spin-off of interventional and blood management segments to unlock aggregate value of HK\$0.98 per share. Weigao has been seeking opportunities to spin-off businesses to unlock value. It spun off its orthopaedics segment for IPO in 2021 to raise Rmb1.38bn. It also announced plans to spin off interventional devices as well as blood management segments back in 2020, which could unlock values per share of HK\$0.69 & HK\$0.29 respectively, based on a 43% discount (valuation difference between HK and US market) to the avg mkt cap / EBIT of global peers. A interventional devices spin-off would likely be more receptive as >80% of its sales are from overseas, hence relative immune from the risk of price cuts in China.

Pharma packaging segment alone worth HK\$2.48 per share. Pharma packaging is another potential spin-off candidate, as its profit margin is the best among all segments, with lower price cut risk given its overseas focus. Using avg mkt cap / EBIT of global peers plus a 43% discount, we estimate unlocked value per share of HK\$2.48. The risk of price cuts by China government is limited as tenders target suppliers to hospitals, while this segment serves drug makers.

Valuation:

Our TP of HK\$11.4 is based on sum-of-the-parts (SOTP) valuation of five business segments to reflect the respective value of different segments, which differs from our previous valuation method using 50% discount to industry avg PE.

Where we differ:

We believe the market has underestimated the potential value that can be unlocked should the company manage to spin off its three business segments.

Key Risks to Our View:

Government-imposed price cuts for bulk procurement.

At A Glance

| | |
|--|----------------|
| Issued Capital (m shrs) | 4,571 |
| Mkt Cap (HKm/US\$m) | 36,202 / 4,612 |
| Major Shareholders (%) | |
| Weigao Holding Co Ltd | 46.4 |
| Free Float (%) | 53.6 |
| 3m Avg. Daily Val. (US\$m) | 8.11 |
| GICS Industry: Health Care / Health Care Equipment & Service | |



Watchlist the stock on Insights Direct to receive prompt updates



Shandong Weigao

WHAT'S NEW

Unlocking value through spin-offs

Lower FY22F-23F earnings by 14-18% and TP by 36% to factor in the risk of price cut. We have reduced our earnings estimates for FY22F-23F by 14% and 18% respectively. This is mainly because we lowered the revenue forecast of three segments in 22F and 23F as they are exposed to the risk of price cuts; namely, orthopaedic devices, blood management devices, and low-value medical devices.

Orthopaedic devices and blood management devices are high-value consumables. We revised down the y-o-y sales growth of orthopaedic devices and blood management devices in 22F/23F from 30%/30% and 14%/14% to -19%/-19% and -19%/-19%, referencing the historical impact of price cuts in national tender. Up to now, among all kinds of high-value medical consumables, only drug eluting stents (DES) a) went through a national tender arranged by the government, which happened in 2020 with an average tender price cut of 93%; and b) has an annual sales figure which reflected the impact of the price cut in 2020.

Microport (853 HK) is the largest domestic DES maker and won in the national tender. Although the tender price cut was 93%, the ex-factory price cut should be much smaller plus there were significant sales volume growth. As such, its domestic DES sales dropped by only 19% y-o-y in 2021. We take this as a reference point.

Low-value medical consumables made up 47% of sales in 2021. We adjusted its annual sales growth in 22F/23F from 13%/13% to 10%/10%. Historically, this market has been more competitive than high-value consumables due to larger number of players. In addition, annually there were collective procurements and tenders arranged in many provinces throughout the years. For example, infusion sets in 2020 and 2021 with price cuts of 75%-83%, and intravenous cannulas in 2020 and 2021 with price cuts of 77%-85%. Yet the segment still achieved an annual sales growth of 10% to 27% in 2010 to 2019. Due to risk of a potential national price cut, we take the low end of the range as a reference of the annual sales growth in 22F/23F, which is 10%.

Negatives largely priced in. With share price falling 58% from its peak less than a year ago, its PE valuation is currently at a three-year low and 1SD below its average historical PE. We believe negatives are largely priced in, and that overseas sales ramp-up and other potential spin-offs would boost share price moving forward. With net cash of

Rmb4.3bn as of December 2021, the company will continue to look for M&A targets and spin-off opportunities.

Potential spin-off and IPO of three segments could unlock value of HK\$3.46 per share, implying upside of 44%.

Weigao has five business segments; we believe three of them have the potential for spin-off and IPO.

Interventional product segment: Weigao announced a possible spin-off of its interventional product segment in 2020. This segment broke even in FY20. We estimate a successful IPO could unlock a value of HK\$0.69 per share based on 10.4x 22F market capital-to-EBIT, at a 43% discount with comparable peer Merit Medical Systems (MMSI US). Weigao's EBIT CAGR from FY2018-2021 was lower than Merit; thus we believe it should be valued at a discount to Merit. The discount reflects the 43% discount of the P/E of Hang Seng Index compared to the Dow Jones. This segment generates >80% of its revenue from the overseas market, hence the impact of price cuts by the China government would be limited.

Blood management device: In Dec 2020, Weigao approached SFC in Shandong for the spin-off of its blood management device segment (See link: https://m.thepaper.cn/baijiahao_10704367). We estimate that the IPO could unlock a value of HK\$0.29 per share based on 12.4x 22F market capital-to-EBIT, which is at a 43% discount with comparable peers Zhejiang Gongdong Medical (605369 CH) and Haemonetics (HAE US). Weigao's EBIT CAGR from FY2018-2021 was lower than Gongdong, thus we believe it should be valued at a discount to Gongdong. The discount reflects the 43% discount of the P/E of Hang Seng Index compared to the Dow Jones. This segment generates >50% of its revenue from overseas market, hence the impact of price cuts by the China government would be limited.

Pharma packaging segment: Pharma packaging is another potential spin-off candidate, and in terms of profit margins, it is the best among segments. We estimate this business segment could worth HK\$2.48 per share based on 14.2x 22F market capital-to-EBIT, at a 43% discount with comparable peers West Pharmaceutical Services (WST US) and Stevanato (STVN US). Weigao's EBIT CAGR from FY2018-2021 had underperformed both peers, and thus

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we believe it should be valued at a discount. The discount was derived from the 43% discount of P/E of Hang Seng Index compared to Dow Jones.

Maintain BUY with TP HK\$11.4 based on SOP valuation.

Previously, our TP was derived from the 50% discount to industry PE. We have now changed to derive our TP from Sum-of-the-parts (SOTP) valuation because this can better reflect the respective value of its different business segments. (See the following table: "Sum-of-the parts valuation to derive TP of HK\$11.4)

The valuation of the orthopedic segment was calculated by multiplying Weigao Orthopedic's current market cap by Weigao's stake of 72.2%. We value the medical devices

segment (or low-value medical consumables) at Rmb10bn based on 9.9x FY22F market cap-to-EBIT, benchmarked to Kangji Medical (9997 HK), Kindly Medical (1501 HK), and Chimin Health Management (603222 CH). This segment is under pressure from price cuts in China and government tenders. Hence our FY22F market cap-to-EBIT multiple is much lower than the industry average of 17.4x. Based on the valuation above, we derived a new TP of HK\$11.4. Maintain BUY for potential value unlocking through spin-off and IPO.

Sum-of-the-parts valuation to derive a target price of HK\$11.4

| Segment | Weigao 22F Segmental EBIT (Rmb m) | Multiple used to derive fair value: 22F Mkt cap/EBIT (x) | Fair value (Rmb m) | Fair value per share (HK\$) |
|------------------|-----------------------------------|--|-----------------------|-----------------------------|
| Orthopaedic | 615 | | 11,756 ^[1] | 3.2 |
| Medical device | 1,018 | 9.9 ^[2] | 10,030 | 2.7 |
| Blood management | 138 | 12.4 ^[3] | 1,702 | 0.5 |
| Interventional | 390 | 10.4 ^[4] | 4,071 | 1.1 |
| Pharma packaging | 1,030 | 14.2 ^[5] | 14,626 | 3.9 |
| Total | | | 42,186 | 11.4 |

(1): The fair value estimate of Orthopaedic segment takes into account Shandong Weigao's stake in Shandong Weigao Orthopaedics (688161 CH) which is 72.2%, multiplied by market cap of Shandong Weigao Orthopaedics which is Rmb16.3bn.

(2): Derived by taking the low-end of 22F mkt cap/EBIT of comparable peers Kangji Medical (9997 HK), Kindly Medical (1501 HK) and Chimin Health Management (603222 CH).

(3): Derived by taking the average of 22F mkt cap/EBIT of comparable peers Zhejiang Gongdong Medical (605369 CH) and Haemonetics (HAE US), then adding a 43% discount which is the discount of the P/E of Hang Seng Index compared to the Dow Jones.

(4): Derived by taking 22F mkt cap/EBIT of comparable peer Merit Medical Systems (MMSI US), then adding a 43% discount which is the discount of the P/E of Hang Seng Index compared to the Dow Jones.

(5): Derived by taking the average of 22F mkt cap/EBIT of comparable peers West Pharmaceutical Services (WST US) and Stevanato (STVN US), then adding a 43% discount which is the discount of the P/E of Hang Seng Index compared to the Dow Jones.

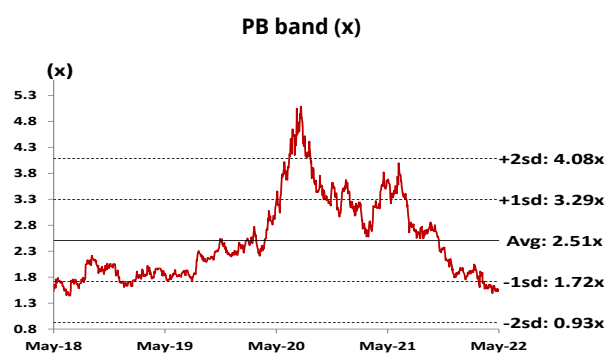
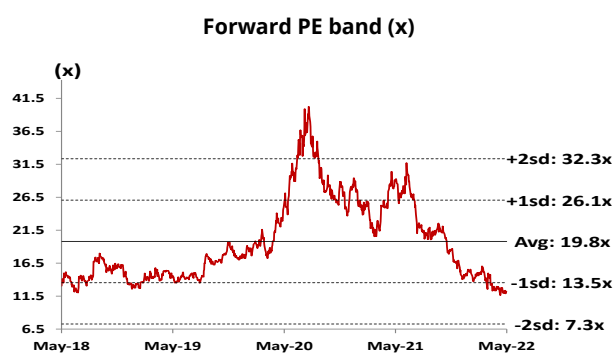
Source: Shandong Weigao, Thomson Reuters, DBS HK

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Company Background

Established in 1988 and listed on the Hong Kong Stock Exchange in 2004, the company is a leading player in China's medical consumables industry, with significant market share in various segments; for example, 20% in devices for blood collection and management, 15% in medical testing consumables, and 15% in anesthesia & surgery consumables.

Historical PE and PB band



Source: Thomson Reuters, DBS HK

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Key Assumptions

| FY Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|------------------|-------|-------|-------|-------|-------|
| Revenue growth % | 11.9 | 13.2 | 4.6 | 6.4 | 7.9 |
| Gross margin % | 62.7 | 55.9 | 55.3 | 54.3 | 53.3 |
| SGA % in sales | 40.2 | 34.8 | 32.4 | 31.2 | 30.2 |

Source: Company, DBS HK

Segmental Breakdown (RMB m)

| FY Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenues (RMB m) | | | | | |
| Medical device products | 5,749 | 6,235 | 6,843 | 7,510 | 8,242 |
| Orthopaedic products | 1,748 | 2,127 | 1,716 | 1,385 | 1,118 |
| Interventional products | 1,612 | 1,773 | 1,950 | 2,146 | 2,361 |
| Pharma packaging | 1,694 | 2,040 | 2,458 | 2,961 | 3,566 |
| Blood management | 821 | 977 | 791 | 641 | 519 |
| Others | 0 | 0 | 0 | 0 | 0 |
| Total | 11,622 | 13,152 | 13,759 | 14,642 | 15,806 |

Operating profit (RMB m)

| | | | | | |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Medical device products | 1,071 | 927 | 1,018 | 1,117 | 1,226 |
| Orthopaedic products | 529 | 762 | 615 | 496 | 400 |
| Interventional products | 26 | 151 | 390 | 536 | 708 |
| Pharma packaging | 555 | 855 | 1,030 | 1,241 | 1,495 |
| Blood management | 74 | 170 | 138 | 111 | 90 |
| Others | 64 | 75 | 75 | 75 | 75 |
| Total | 2,255 | 2,866 | 3,191 | 3,502 | 3,920 |

Operating profit Margins (%)

| | | | | | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Medical device products | 18.6 | 14.9 | 14.9 | 14.9 | 14.9 |
| Orthopaedic products | 30.3 | 35.8 | 35.8 | 35.8 | 35.8 |
| Interventional products | 1.6 | 8.5 | 20.0 | 25.0 | 30.0 |
| Pharma packaging | 32.8 | 41.9 | 41.9 | 41.9 | 41.9 |
| Blood management | 9.1 | 17.4 | 17.4 | 17.4 | 17.4 |
| Others | N/A | N/A | N/A | N/A | N/A |
| Total | 19.4 | 21.8 | 23.2 | 23.9 | 24.8 |

Source: Company, DBS HK

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Income Statement (RMB m)

| FY Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 11,622 | 13,152 | 13,759 | 14,642 | 15,806 |
| Cost of Goods Sold | (5,123) | (5,882) | (6,288) | (6,838) | (7,540) |
| Gross Profit | 6,500 | 7,269 | 7,471 | 7,804 | 8,267 |
| Other Opg (Exp)/Inc | (3,879) | (4,501) | (4,528) | (4,657) | (4,850) |
| Operating Profit | 2,621 | 2,769 | 2,943 | 3,147 | 3,416 |
| Other Non Opg (Exp)/Inc | 0 | 0 | 0 | 0 | 0 |
| Associates & JV Inc | 9 | 69 | 70 | 70 | 70 |
| Net Interest (Exp)/Inc | (65) | 4 | 4 | 4 | 4 |
| Dividend Income | 0 | 0 | 0 | 0 | 0 |
| Exceptional Gain/(Loss) | 0 | 0 | 0 | 0 | 0 |
| Pre-tax Profit | 2,565 | 2,842 | 3,017 | 3,221 | 3,490 |
| Tax | (358) | (415) | (442) | (473) | (513) |
| Minority Interest | (120) | (182) | (144) | (154) | (167) |
| Preference Dividend | 0 | 0 | 0 | 0 | 0 |
| Net Profit | 2,087 | 2,245 | 2,431 | 2,595 | 2,811 |
| Net Profit before Except. | 2,087 | 2,245 | 2,431 | 2,595 | 2,811 |
| EBITDA | 3,342 | 3,562 | 3,530 | 3,755 | 4,044 |
| Growth | | | | | |
| Revenue Gth (%) | 11.9 | 13.2 | 4.6 | 6.4 | 7.9 |
| EBITDA Gth (%) | 6.6 | 6.6 | (0.9) | 6.4 | 7.7 |
| Opg Profit Gth (%) | 7.4 | 5.6 | 6.3 | 6.9 | 8.5 |
| Net Profit Gth (%) | 12.8 | 7.6 | 8.3 | 6.7 | 8.3 |
| Margins & Ratio | | | | | |
| Gross Margins (%) | 55.9 | 55.3 | 54.3 | 53.3 | 52.3 |
| Opg Profit Margin (%) | 22.6 | 21.1 | 21.4 | 21.5 | 21.6 |
| Net Profit Margin (%) | 18.0 | 17.1 | 17.7 | 17.7 | 17.8 |
| ROAE (%) | 12.2 | 12.0 | 12.3 | 12.2 | 12.1 |
| ROA (%) | 7.7 | 7.7 | 7.8 | 7.8 | 7.8 |
| ROCE (%) | 9.7 | 9.6 | 9.5 | 9.6 | 9.7 |
| Div Payout Ratio (%) | 28.2 | 28.7 | 30.0 | 30.0 | 30.0 |
| Net Interest Cover (x) | 40.5 | NM | NM | NM | NM |

Source: Company, DBS HK

Interim Income Statement (RMB m)

| FY Dec | 2H2019 | 1H2020 | 2H2020 | 1H2021 | 2H2021 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 5,441 | 5,216 | 6,407 | 6,230 | 6,922 |
| Cost of Goods Sold | (2,063) | (2,196) | (2,927) | (2,567) | (3,316) |
| Gross Profit | 3,378 | 3,020 | 3,480 | 3,663 | 3,607 |
| Other Oper. (Exp)/Inc | (2,173) | (1,712) | (2,166) | (2,112) | (2,388) |
| Operating Profit | 1,205 | 1,308 | 1,313 | 1,551 | 1,218 |
| Other Non Opg (Exp)/Inc | 0 | 0 | 0 | 0 | 0 |
| Associates & JV Inc | 46 | 27 | (18) | 39 | 30 |
| Net Interest (Exp)/Inc | (147) | (82) | 18 | (36) | 40 |
| Exceptional Gain/(Loss) | 0 | 0 | 0 | 0 | 0 |
| Pre-tax Profit | 1,104 | 1,253 | 1,313 | 1,554 | 1,288 |
| Tax | (152) | (207) | (152) | (254) | (161) |
| Minority Interest | (40) | (50) | (70) | (90) | (92) |
| Net Profit | 913 | 996 | 1,091 | 1,209 | 1,035 |
| Net profit bef Except. | 913 | 996 | 1,091 | 1,209 | 1,035 |
| Growth | | | | | |
| Revenue Gth (%) | 16.8 | 5.5 | 17.8 | 19.4 | 8.0 |
| Opg Profit Gth (%) | 17.3 | 5.9 | 9.0 | 18.6 | (7.3) |
| Net Profit Gth (%) | 10.9 | 6.3 | 19.5 | 21.4 | (5.1) |
| Margins | | | | | |
| Gross Margins (%) | 62.1 | 57.9 | 54.3 | 58.8 | 52.1 |
| Opg Profit Margins (%) | 22.1 | 25.1 | 20.5 | 24.9 | 17.6 |
| Net Profit Margins (%) | 16.8 | 19.1 | 17.0 | 19.4 | 15.0 |

Source: Company, DBS HK

Shandong Weigao

Balance Sheet (RMB m)

| FY Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Fixed Assets | 4,372 | 4,411 | 4,583 | 4,737 | 4,870 |
| Invt in Associates & JVs | 1,069 | 1,139 | 1,139 | 1,139 | 1,139 |
| Other LT Assets | 8,151 | 8,704 | 7,680 | 7,493 | 7,306 |
| Cash & ST Invt | 6,475 | 7,810 | 8,974 | 9,842 | 10,671 |
| Inventory | 1,563 | 1,735 | 1,977 | 2,254 | 2,570 |
| Debtors | 5,958 | 6,046 | 7,255 | 8,706 | 10,447 |
| Other Current Assets | 370 | 524 | 524 | 524 | 524 |
| Total Assets | 27,958 | 30,367 | 32,133 | 34,693 | 37,527 |
| ST Debt | 298 | 601 | 611 | 621 | 631 |
| Creditors | 1,416 | 1,337 | 1,524 | 1,737 | 1,981 |
| Other Current Liab | 2,884 | 3,175 | 3,609 | 4,012 | 4,477 |
| LT Debt | 3,001 | 2,463 | 2,413 | 2,363 | 2,313 |
| Other LT Liabilities | 1,480 | 1,884 | 1,884 | 1,884 | 1,884 |
| Shareholder's Equity | 18,034 | 19,267 | 20,308 | 22,137 | 24,136 |
| Minority Interests | 845 | 1,640 | 1,785 | 1,938 | 2,105 |
| Total Cap. & Liab. | 27,958 | 30,367 | 32,133 | 34,693 | 37,527 |
| Non-Cash Wkg. Capital | 3,591 | 3,792 | 4,623 | 5,734 | 7,082 |
| Net Cash/(Debt) | 3,176 | 4,746 | 5,950 | 6,858 | 7,727 |
| Debtors Turn (avg days) | 167.7 | 166.6 | 176.4 | 198.9 | 221.1 |
| Creditors Turn (avg days) | 91.6 | 97.4 | 90.5 | 94.5 | 97.2 |
| Inventory Turn (avg days) | 116.2 | 116.7 | 117.4 | 122.6 | 126.1 |
| Asset Turnover (x) | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 |
| Current Ratio (x) | 3.1 | 3.2 | 3.3 | 3.3 | 3.4 |
| Quick Ratio (x) | 2.7 | 2.7 | 2.8 | 2.9 | 3.0 |
| Net Debt/Equity (X) | CASH | CASH | CASH | CASH | CASH |
| Net Debt/Equity ex MI (X) | CASH | CASH | CASH | CASH | CASH |
| Capex to Debt (%) | 27.7 | 12.8 | 16.6 | 16.9 | 17.1 |
| Z-Score (X) | 5.7 | 5.7 | 4.2 | 4.2 | NA |

Source: Company, DBS HK

Cash Flow Statement (RMB m)

| FY Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|--------------------------------|----------------|----------------|--------------|--------------|--------------|
| Pre-Tax Profit | 2,565 | 2,842 | 3,017 | 3,221 | 3,490 |
| Dep. & Amort. | 712 | 724 | 517 | 538 | 558 |
| Tax Paid | (381) | (480) | (442) | (473) | (513) |
| Assoc. & JV Inc/(loss) | (9) | (69) | (70) | (70) | (70) |
| (Pft)/ Loss on disposal of FAs | 0 | 0 | 0 | 0 | 0 |
| Chg in Wkg.Cap. | (688) | (156) | (831) | (1,111) | (1,348) |
| Other Operating CF | 590 | 176 | (4) | (4) | (4) |
| Net Operating CF | 2,788 | 3,035 | 2,188 | 2,101 | 2,113 |
| Capital Exp.(net) | (915) | (392) | (502) | (503) | (504) |
| Other Invt.(net) | (8) | (57) | 0 | 0 | 0 |
| Invt in Assoc. & JV | 0 | (1,457) | 0 | 0 | 0 |
| Div from Assoc & JV | 0 | 0 | 0 | 0 | 0 |
| Other Investing CF | 1,306 | 428 | 151 | 160 | 173 |
| Net Investing CF | 384 | (1,479) | (351) | (343) | (331) |
| Div Paid | (701) | (653) | (691) | (756) | (813) |
| Chg in Gross Debt | (1,887) | (235) | (40) | (40) | (40) |
| Capital Issues | 0 | 5 | 0 | 0 | 0 |
| Other Financing CF | 795 | 346 | 59 | (95) | (99) |
| Net Financing CF | (1,794) | (538) | (671) | (891) | (952) |
| Currency Adjustments | (57) | (54) | 0 | 0 | 0 |
| Chg in Cash | 1,321 | 963 | 1,165 | 867 | 830 |
| Opg CFPS (RMB) | 0.78 | 0.71 | 0.67 | 0.72 | 0.77 |
| Free CFPS (RMB) | 0.42 | 0.59 | 0.38 | 0.36 | 0.36 |

Source: Company, DBS HK

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Target Price & Ratings History



| S.No. | Date | Closing Price | 12-mth Target Price | Rating |
|-------|-----------|---------------|---------------------|--------|
| 1: | 31-Aug-21 | HK\$13.18 | HK\$17.70 | Buy |

Source: DBS HK

Analyst: Nico Chen

Mark Kong, CFA

DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

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

Completed Date: 18 May 2022 11:04:39 (HKT)

Dissemination Date: 18 May 2022 12:21:54 (HKT)

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