

Singapore

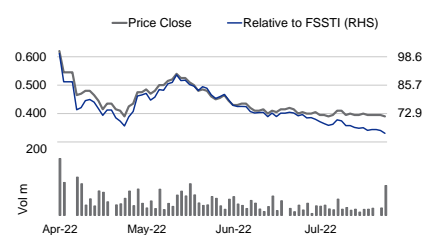
ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price:	S\$0.39
Target price:	S\$0.74
Previous target:	S\$0.74
Up/downside:	89.7%
CGS-CIMB / Consensus:	0.0%
Reuters:	YANZ.SI
Bloomberg:	YZJFH SP
Market cap:	US\$1,121m
	S\$1,533m
Average daily turnover:	US\$11.33m
	S\$15.68m
Current shares o/s:	3,951m
Free float:	78.5%
*Source: Bloomberg	

Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6	-12.4	
Relative (%)	-11.5	-14.8	

Major shareholders	% held
Yangzi International Holding	21.5
Lido Point Investments	9.9
T. Rowe Price Associates, Inc	7.5

Analyst(s)



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Yangzijiang Financial Holdings

Yield play

- This is YZJFH's first results announcement since its listing on 28 Apr 22.
- Including debt investments maturing by end-FY22F, we estimate that its cash balance of c.S\$1.97bn could exceed its current market cap.
- As of 1H22, YZJFH has an AUM of S\$4.6bn and S\$480m of assets in Singapore. We think it is on track to hit its S\$7bn AUM target in 3-5 years.
- We continue to like YZJFH as a yield stock, with a yield upside of 8.64% by FY23F. Maintain Add with a TP of S\$0.74.

Interest income could soften in 2H22F vs 1H22

1H22 revenue of S\$173.8m (-27% yoy) came in above expectations at 68% of our FY22F. The beat was due to higher-than-expected interest income of S\$184.9m (-3% yoy), which resulted from higher-than-expected cash deployed. We estimate that YZJFH deployed c.60% (c.S\$767m) of total cash into public and private equity investments. Although 1H22 revenue of S\$173.8m and net profit of S\$136.4m made up 68%/62% of our FY22F estimates, we expect interest income to decline in 2H22F from 1H22, since (1) 92% (c.S\$2.3bn) of its debt investments mature within the next 12 months, and (2) the management remains cautious in deploying funds amidst challenging market conditions.

Cash at end-FY22F could exceed market cap; attractive yield

We estimate that 28% or (c.S\$0.7bn) of its c.S\$2.5bn debt investments will mature by end-FY22F. This brings its cash balance to c.S\$1.97bn (S\$0.50/share), which exceeds its current market cap of c.S\$1.53bn. We continue to like the stock as the only Singapore mid-size cap proxy to fund management with yield upside of 8.64% by FY23F.

On track to hit S\$7bn AUM target in 3-5 years

Of its S\$4.6bn AUM as of 1H22, c.55% (c.S\$2.53bn) relates to debt investments, 13.8% (c.S\$0.63bn) in public and private equity, 3.5% (S\$0.16bn) managed through GEM Asset Management, and the remaining 27.8% (S\$1.3bn) in cash. Management guided that S\$480m (c.10.8%) of AUM have been transferred to Singapore as of 1H22. It intends to transfer 22% of AUM to Singapore by end-FY22F, towards its long-term target of 50%.

Reducing real estate exposure in China; NPL ratio down to 2%

Real estate made up the largest share of borrowers in its debt investment portfolio at 32% as of 1H22. However, management reinforced its stance to reduce exposure to the sector, save for those that are in collaboration with the Chinese government. Its NPL ratio fell from an average of 16% for FY19-21 to 2% in 1H22.

Maintain Add; unchanged TP of S\$0.74

No interim dividends were declared, although its 40% payout policy still holds. Our TP is based on 0.6x CY23F P/BV (comparable to Chinese banks) and 9x CY23F P/E (peer average). Key catalysts: faster-than-expected AUM growth. Downside risks: exchange rate fluctuations negatively impacting its assets in Singapore denominated in the USD.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (S\$m)	495.2	384.8	257.0	409.6	424.1
Operating EBITDA (S\$m)	359.7	371.9	239.0	389.5	402.2
Net Profit (S\$m)	321.1	327.2	221.2	332.7	339.0
Core EPS (S\$)	0.083	0.085	0.057	0.086	0.088
Core EPS Growth	(6.8%)	1.9%	(32.4%)	50.4%	1.9%
FD Core P/E (x)	4.77	4.68	6.94	4.63	4.55
DPS (S\$)	-	-	0.022	0.034	0.034
Dividend Yield	0.00%	0.00%	5.74%	8.64%	8.80%
EV/EBITDA (x)	1.83	1.74	2.06	0.67	0.14
P/FCFE (x)	NA	1.58	8.01	4.85	5.13
Net Gearing	(13.1%)	(14.9%)	(16.8%)	(20.1%)	(22.7%)
P/BV (x)	0.33	0.36	0.35	0.34	0.32
ROE	7.83%	7.34%	5.13%	7.42%	7.24%
CGS-CIMB/Consensus EPS (x)			1.01	1.00	1.00

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Yield play

Setting up a Maritime Fund

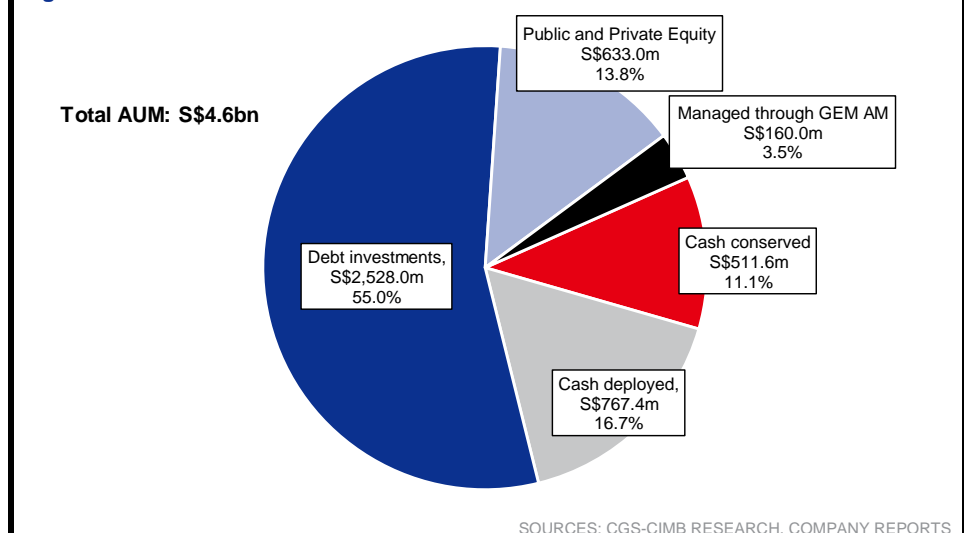
YZJFH also announced the setting up of a new Maritime Fund with an initial target fund size of US\$250m (c.S\$349m). Of the US\$250m, US\$100m will be seeded by YZJFH and the remaining US\$150m will be raised from third parties through private placement, bank loans, and structured financing. Mr Alex Yan, a veteran with 20 years of experience in the shipping industry, was appointed Fund Manager.

Figure 1: Results comparison

FYE Dec (S\$m)	1HFY22	1HFY21	yoy %	Prev.	Comments on 1H22
	Cum	Cum			
Revenue	173.8	239.2	-27%	257.0	Above at 68% of our FY22F, due to higher-than-expected cash deployed contributing to higher interest income.
Operating costs	(15.6)	(13.3)	17%	(26.3)	
Profit before allowances	158.2	225.9	-30%	230.7	
Profit after allowances	170.2	260.0	-35%	239.0	
Associates' contrib	(23.3)	(0.7)	3329%	49.8	Comprises venture capital investments and provision of seed funding activities carried out by associates. Loss was due to market losses from listed shares within those associates YZJFH invested in.
Pretax profit	169.5	259.3	-35%	288.7	Above at 59% of our FY22F.
Tax	(33.1)	(62.8)	-47%	(67.6)	
Tax rate (%)	-20%	-24%	-19%	-23%	
Net profit	136.4	196.5	-31%	221.2	Above at 62% of our FY22F.
EPS (cts)	3.5	5.0	-31%	5.6	
Core profit	136.4	196.5	-31%	221.2	Core slightly above at 62% of our FY22F.
Core EPS (cts)	3.5	5.0	-31%	5.6	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Breakdown of S\$4.6bn AUM as of 1H22



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Our TP of S\$0.74 is based on 0.6x CY23F P/BV and 9x CY23F P/E

P/BV valuation		
CY23F book value (S\$m)	4,581	
P/BV (x)	0.60	Comparable to Chinese banks
Fair value (S\$m)	2,749	
P/E valuation		
CY23F net profit (S\$m)	333	
P/E (x)	9.00	Comparable to peer average
Fair value (S\$m)	2,994	
Number of shares (m)	3,951	
Method	Weightage	Value per share (S\$)
P/BV(x)	30%	0.21
P/E (x)	70%	0.53
Fair value (S\$m)		0.74

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 4: Peers Comparison

Company	Bloomberg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x) CY22F	Recurring ROE (%) CY22F	Dividend Yield (%) CY22F
Yangzijiang Financial Holdings	YZJFH SP	ADD	0.39	0.74	1,121	6.8	4.5	0.4%	0.35	5.2%	5.7%
Value Partners Group Ltd	806 HK	NR	2.43	N/A	781	20.3	7.0	23.0%	0.85	4.0%	1.9%
Capitaland Investment	CLI SP	Add	3.87	4.59	14,485	20.8	19.9	-17.9%	1.15	5.7%	1.7%
Blackstone Inc	BX US	NR	106.0	N/A	174,141	20.3	18.6	-4.5%	8.56	49.0%	4.2%
Brookfield Asset Management Ir	BAM US	NR	53.56	N/A	120,507	19.7	17.4	17.5%	1.89	7.9%	1.0%
KKR & Co Inc	KKR US	NR	56.66	N/A	66,812	14.4	12.5	-12.6%	1.91	14.4%	1.1%
Apollo Global Management Inc	APO US	NR	60.89	N/A	47,680	11.6	9.1	2.5%	8.28	51.5%	2.6%
Victory Capital Holdings Inc	VCTR US	NR	29.53	N/A	2,772	6.5	6.3	6.2%	1.58	29.8%	3.4%
Tikehau Capital SCA	TKO FP	NR	25.05	N/A	6,201	12.1	13.9	0.1%	1.41	10.7%	2.4%
Gimv NV	GIMB BB	NR	52.60	N/A	2,020	8.0	na	na	na	na	4.9%
Molten Ventures PLC	GROW LN	NR	440.4	N/A	1,121	2.2	4.0	-2.6%	0.01	13.1%	0.0%
Fund management peers (simple average)						13.6	12.1	1.3%	2.85	20.7%	2.3%
China Merchants Bank-A	600036 CH	Add	34.37	71.50	129,549	6.4	5.4	18.2%	1.05	17.4%	5.2%
China Construction Bank-A	601939 CH	Add	5.52	7.10	160,592	4.3	3.9	9.4%	0.51	12.3%	7.1%
Agricultural Bank of China-A	601288 CH	Add	2.83	3.90	144,305	4.0	3.7	9.6%	0.44	11.5%	7.9%
Bank of China-A	601988 CH	Add	3.04	3.80	124,737	4.0	3.7	9.7%	0.43	11.2%	7.9%
Chinese banks (simple average)						4.7	4.2	11.7%	0.61	13.1%	7.0%
DBS Group	DBS SP	Add	33.35	40.20	62,739	10.6	7.9	15.3%	1.44	14.3%	4.3%
United Overseas Bank	UOB SP	Add	27.32	35.60	33,443	10.3	7.8	16.7%	1.02	10.2%	4.6%
OCBC	OCBC SP	Add	12.17	15.50	40,030	9.1	7.6	14.0%	1.06	12.2%	4.9%
Singapore banks (simple average)						10.0	7.7	15.3%	1.17	12.2%	4.6%
Overall (simple average)						10.9	9.3	6.5%	1.97	17.2%	3.8%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
 Note: Estimates for Not rated companies are based on Bloomberg consensus estimates
 DATA AS AT 12 AUG 2022



ESG in a nutshell

As YZJFH was only incorporated on 14 Dec 2021, we do not have details of its ESG performance. We think its asset light business model translates to minimal impact on the environment. Furthermore, YZJFH could fare well in terms of corporate governance given that its management team has an average relevant experience of 17 years. ESG is also among its five key investment focus areas and themes for its investment portfolio.

Keep your eye on

In 2019, YZJFH's Executive Chairman and Executive Director Mr Ren Yuanlin was reportedly involved in the Chinese government's anti-corruption investigations into Liu Jianguo, the former party secretary of Jingjiang City.

Implications

Since it has been almost two years since the controversy, we believe the issue no longer has any impact on YZJFH's share price.

ESG highlights

YZJFH, in its slides dated 14 Apr 2022, stated that its corporate governance will centre on transparency, with the aim of delivering sustainable value to shareholders.

Implications

We believe the "strong focus on transparency" further strengthens its already experienced management team, which has extensive experience in China domestic and cross border investments.

Trends

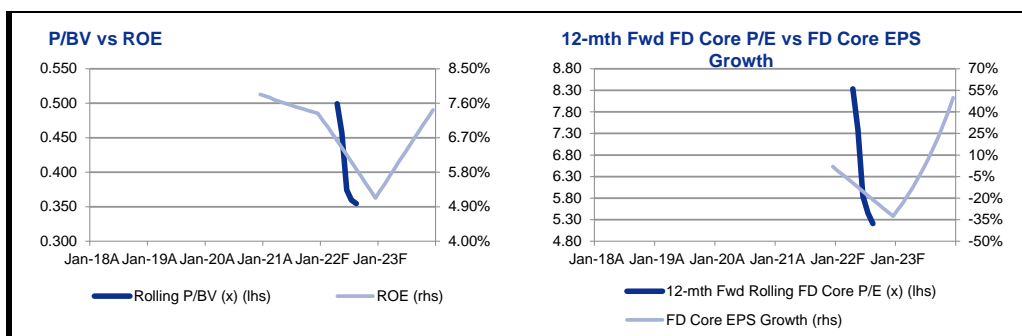
YZJFH has said that ESG, including clean/new energy and strategic investments in the shipping industry, will be among its five key investment focus areas and themes for its investment portfolio.

Implications

We believe YZJFH's green investing will attract customers and/or investment partners who are equally keen on ESG-related investments.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS



Profit & Loss

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	495.2	384.8	257.0	409.6	424.1
Gross Profit	495.2	384.8	257.0	409.6	424.1
Operating EBITDA	359.7	371.9	239.0	389.5	402.2
Depreciation And Amortisation	0.0	0.0	0.0	0.0	0.0
Operating EBIT	359.7	371.9	239.0	389.5	402.2
Financial Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Pretax Income/(Loss) from Assoc.	31.0	55.3	49.8	44.8	40.3
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	390.7	427.2	288.7	434.3	442.5
Exceptional Items					
Pre-tax Profit	390.7	427.2	288.7	434.3	442.5
Taxation	(69.6)	(99.9)	(67.6)	(101.6)	(103.5)
Exceptional Income - post-tax					
Profit After Tax	321.1	327.2	221.2	332.7	339.0
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	321.1	327.2	221.2	332.7	339.0
Recurring Net Profit	321.1	327.2	221.2	332.7	339.0
Fully Diluted Recurring Net Profit	321.1	327.2	221.2	332.7	339.0

Cash Flow

(\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	359.7	371.9	239.0	389.5	402.2
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(831.0)	518.4	18.2	(4.0)	(0.4)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(51.6)	11.0	0.0	0.0	0.0
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0	0.0
Tax Paid	(61.7)	(74.6)	(65.5)	(67.6)	(101.6)
Cashflow From Operations	(584.6)	826.7	191.7	318.0	300.2
Capex	(0.7)	0.0	0.0	0.0	0.0
Disposals Of FAs/subsidiaries	39.9	14.4	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(4.0)	0.0	0.0	0.0	0.0
Other Investing Cashflow	(164.2)	127.1	0.0	0.0	0.0
Cash Flow From Investing	(129.0)	141.4	0.0	0.0	0.0
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	0.0	(163.5)	(88.5)	(133.1)	(135.6)
Preferred Dividends					
Other Financing Cashflow	605.8	(785.0)	0.0	0.0	0.0
Cash Flow From Financing	605.8	(948.6)	(88.5)	(133.1)	(135.6)
Total Cash Generated	(107.8)	19.6	103.2	184.9	164.6
Free Cashflow To Equity	(713.6)	968.2	191.7	318.0	300.2
Free Cashflow To Firm	(713.6)	968.2	191.7	318.0	300.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	614	633	737	923	1,088
Total Debtors	440	25	7	11	11
Inventories					
Total Other Current Assets	2,323	2,908	2,908	2,908	2,908
Total Current Assets	3,377	3,566	3,652	3,842	4,008
Fixed Assets	2	2	2	2	2
Total Investments	234	227	277	322	362
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	1,229	605	604	603	602
Total Non-current Assets	1,465	834	883	927	966
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	0	0	0	0	0
Other Current Liabilities	118	68	70	104	106
Total Current Liabilities	118	68	70	104	106
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	0	0	0	0	0
Total Provisions	52	83	83	83	83
Total Liabilities	170	151	153	187	189
Shareholders' Equity	4,672	4,249	4,382	4,581	4,785
Minority Interests					
Total Equity	4,672	4,249	4,382	4,581	4,785

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	8.3%	(22.3%)	(33.2%)	59.3%	3.6%
Operating EBITDA Growth	(10.9%)	3.4%	(35.7%)	63.0%	3.2%
Operating EBITDA Margin	72.6%	96.6%	93.0%	95.1%	94.8%
Net Cash Per Share (S\$)	0.16	0.16	0.19	0.23	0.28
BVPS (S\$)	1.19	1.08	1.11	1.16	1.21
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	17.8%	23.4%	23.4%	23.4%	23.4%
Net Dividend Payout Ratio	NA	NA	40.0%	40.0%	40.0%
Accounts Receivables Days	209.0	220.6	22.6	7.9	9.5
Inventory Days	N/A	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A	N/A
ROIC (%)	11.5%	7.4%	5.3%	8.6%	9.0%
ROCE (%)	8.70%	8.21%	5.43%	8.53%	8.44%
Return On Average Assets	7.59%	7.08%	4.95%	7.15%	6.96%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Cash deployed for investments	368.2	379.6	442.1	738.1	870.6

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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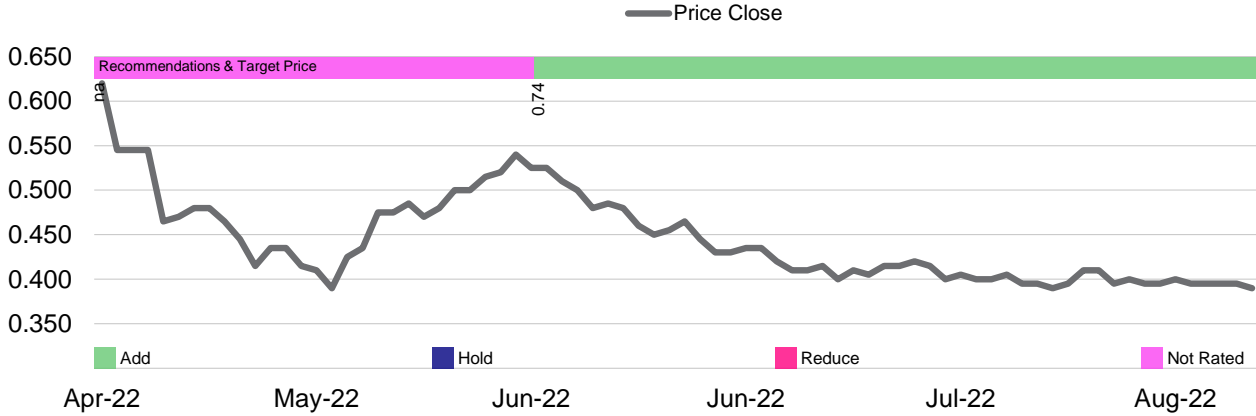
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)

Yangzijiang Financial Holdings (YZJFH SP)



Recommendation Framework

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Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

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