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PROFILE

8.5 years of equity research and industrial research experiences with the Master of Finance

Competitive advantages:

- Financial Analysis with efficient and creative modeling and Strategic Research with an interdisciplinary approach
- A comprehensive approach combining Fundamentals, Trading and Market Psychology.

Performance:

- Annualized return of 32% in 2016
- An average yield of 56% YTD

Expected salary: 50 k +

EXPERIENCE

ICBC Asset Management (Global) Company *AUM 6 billion USD*

Investment Analyst

Hong Kong

Mar 2017 – Present

ICBC  **ASSET MANAGEMENT (GLOBAL)**

Responsibilities:

- Providing comprehensive coverage of *Consumer & TMT* research through the analysis of industry trends and company financials (H-shares).
- Generating investment ideas via identifying the non-linear changes in consumer demand from first-tier cities to sixth-tier cities in China, including *Autos, Food & Beverage, Footwears* and *TMT* sectors.
- Building effective financial modeling for valuation analysis in the short-term and long-term, and conducting back tests over the past 5 or 10 years on target stocks.
- Making in-depth studies of failed and successful companies from a variety of industries and countries for the past 100 years, and drawing conclusions about correct and wrong business models, strategies and managements
- Conducting due diligence, attending conferences and onsite meetings with company management.
- Assisting to make the valuation for certain PE projects involving equities listed in the US and Europe stock markets.

Nine Rivers Capital Partners *(Hong-Kong Asset Management)*

China New Economy Fund

Equity Research Analyst

Hong Kong

Jul 2015 – Mar 2017



NINE RIVERS CAPITAL PARTNERS LIMITED

Responsibilities:

- Employed fundamental research on China's *Consumption Upgrade* strategy with mixed methods of Bottom-Up and Top-Down, covering *Consumer & TMT* sectors (H-shares).
- Identified opportunities on investment targets, via studying the development histories and laws of relevant industries plus corporate strategies, speaking with industry experts and company contacts, collecting and analyzing a variety of public information resources and tracking global economy and financial markets.
- Advised on target price based on cash flow analysis, ingenious forecasting models and the change of sentiment from multiple financial markets.
- Conducted research on pre-IPO, attended NDR and performed field surveys on Beijing, Guangzhou, Shenzhen and third-tier cities in China.

Performance:

- **Stock Picking** - Annualized return of 32% on my recommended HK stocks in 2016.

- **Market Timing** - Accurate predictions of market turning points on Jan, Feb, Apr and Sep 2016 and Jan 2017.

GUANGZHENG HANG SENG RESEARCH

Equity Research Analyst

Guangzhou, Guangdong, China

2014 – 2015



- Conducted quantitative & qualitative research on TMT sector (A-shares).
- Wrote up thematic reports of Online Games, Online Advertising, E-Sports and E-Business Logistics, via gathering and analyzing industry news, data, in-depth reports plus visiting companies.
- Published weekly reports for institutional investors, including daily news collation, intelligent summarization and investment advice.
- Built and updated databases on Film, TV, Game, Online Advertising and Education industries, from the perspectives of industry chain, business mode, competitive landscape and earnings power.
- Performed on-site company surveys and road shows, providing and sharing investment ideas with investors from Mutual Funds, Hedge Funds and Asset Management companies.

THE PEOPLE'S BANK OF CHINA

Analyst/Statistician

Dongguan, Guangdong, China



Responsibilities:

2008 – 2013

- Conducted research on Manufacturing industry, of which 30 reports were adopted for policy making and supervision by the PBC and other government departments.
- Designed investigation questionnaires and conducted field surveys on local big manufacturers, whose annual revenue arranged from 50 million to 20 billion RMB.
- Monitored financial data collected from 28 financial institutions and more than 100,000 companies in Dongguan, Guangdong.
- Conducted on-site inspections of transaction data on financial institutions and corporations as a team leader.

Awards and Accomplishments:

- | | |
|---|---------------------------|
| • Top 3 in the assessments of research reports and data quality for 5 consecutive years (province-wide level) | PBC, Guangzhou, 2008-2012 |
| • The advanced individual in analysis report task in 2011 | PBC, Dongguan, 2012 |
| • The advanced individual in analysis report task in 2010 | PBC, Dongguan, 2011 |
| • Individual honorable mention of knowledge contest in the balance of payments in 2010 (province-wide level) | PBC, Guangzhou, 2010 |
| • Advanced worker in 2009 (top 5%) | PBC, Dongguan, 2010 |

EDUCATION

City University of Hong Kong

Hong Kong

Master in Finance

July 2014

- Courses: Derivatives, Fixed Income Securities, Econometrics, Advanced Corporate finance, Investment, and International Financial Management.

Jiangxi University of Finance and Economics

Jiangxi, China

BA in International Finance

Jun 2008

- Core GPA: 86 (top 10%) Teaching model: English
- The champion of the competition of entrepreneurial skills in 2006
- The outstanding student cadre in 2005 (the top 3 in class)

ADDITIONAL INFORMATION

Professional Qualification: HKSI Certification, Securities Association Certificate

Language: English, Mandarin, Cantonese

Skills: Bloomberg, Wind, Excel, PPT, SAS

The following pages is a case showing my investment approach on certain stock.

Buying Rationale

Date: 2016.5.17

Target: Geely Automobile (175.HK)

Buying price: HK\$3.70

Yield: 536.5%

Catalyst

1) The current market holds a pessimistic opinion that the auto industry is facing overcapacity, but I found the automobile demand from the lower middle class is growing strongly via my field work from 3rd to 6th tier cities on China.

2) Despite the weak sedan market, Geely can still make gains by selling its popular sedan brands. And its 2016 annual results beyond expectation are an important signal indicating Geely is successful in importing the R&D and Design technology from Volvo. Hence, I estimate the company will enter the stage of rapid development as it starts to produce brand-new SUVs in 2016.

Industry Analysis

1) The competition pattern of China's auto market will become more centralized

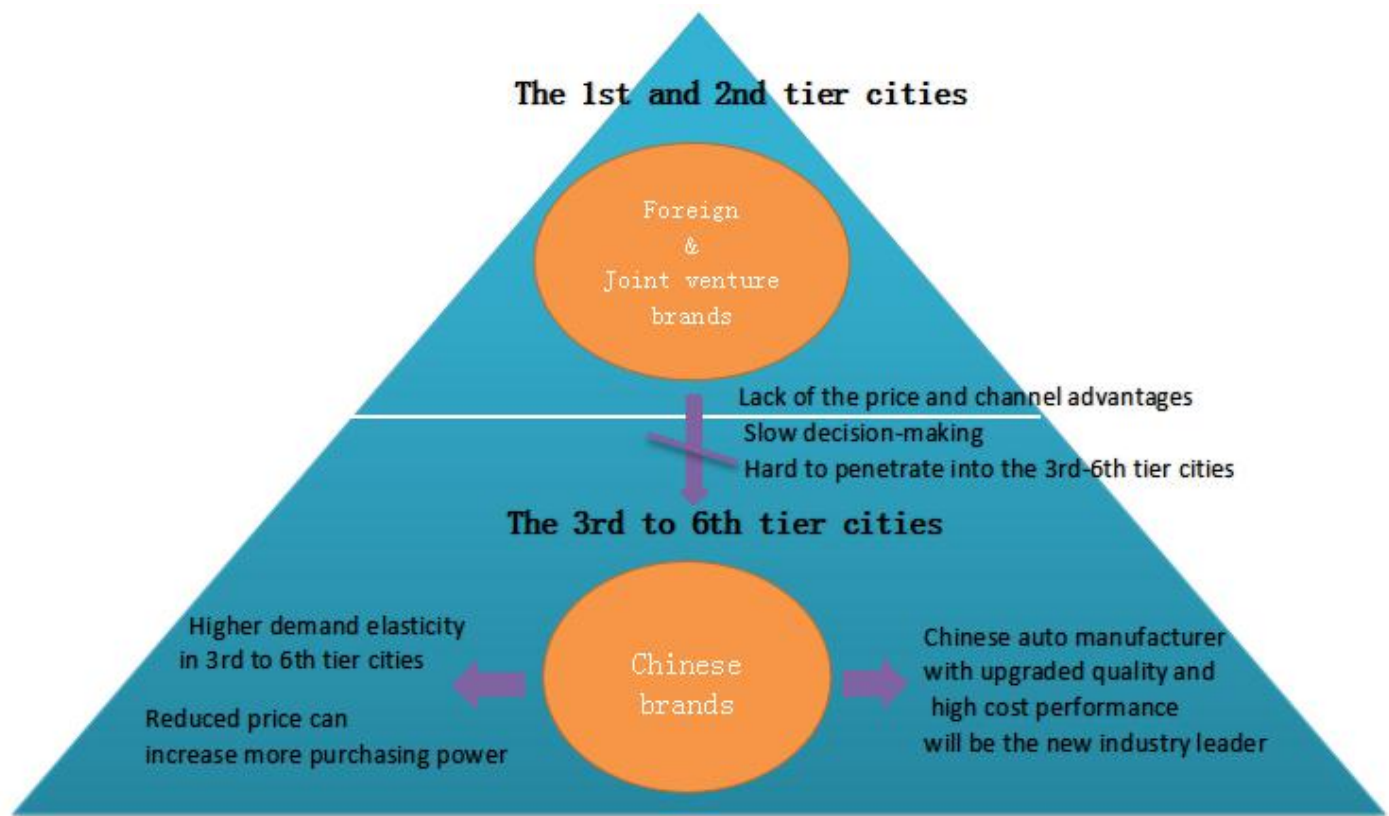
Over the past 100 years, the auto industry experienced a transition from multi-brand competition to oligarch competition, showing the competition pattern of auto industry comes to be a centralized market from previous diversified one. For the current auto market in China, there exists lots of brands varying in quality. As the excess capacity of China's auto industry continues to deteriorate, a number of Chinese brands with low quality will probably be eliminated. Ultimately, the winners will obtain greater market shares.

2) The cost and channel are the decisive factors, and the winners will come from private enterprises occupying the auto market from 3rd to 6th tier cities in China

From the industry of mobile, sporting goods, beverages, household appliances and other consumer products, most of the leading companies do not provide the best quality products, but the moderate quality ones with lower price for attracting the masses of the lower middle class.

The reason high quality products are difficult to obtain a very large market share is that a large population in China is living in 3rd to 6th tier cities, where the lower middle class is the majority. Hence, while first-class brands came to sell well in the 1st and 2nd tier cities in China, the medium and low-end brands had captured greater market share from 3rd to 6th tier cities. Due to the high price and lack of the channel advantage, those first-class brands are very difficult to penetrate into 3rd to 6th tier cities. But certain Chinese low-end brands can be very successful if they can provide products with higher qualities and lower price in 3rd to 6th tier cities, and *Anta*, *Lenovo*, *OPPO* and other Chinese brands are good examples.

Chinese-branded autos have stronger growth potential than foreign & joint venture brands



In current auto market, the prices of joint ventures and foreign passenger vehicles are mainly above 130,000 RMB, far beyond the level of mass consumption in 3rd to 6th tier cities. Hence, those brands are hard to be popular among Chinese small and medium-sized cities, where Chinese-branded passenger vehicles sell well with sales price between 70,000 and 100,000 RMB. Due to the good cost performance and channel advantages, Chinese-branded autos will have more broad market prospects

As for the joint venture and foreign brands, they are typically reluctant to initiate price war for competing with Chinese brands. Further, they lack the channel advantages and marketing insight in small and medium-sized cities, and often are slow in making decisions due to their complicated organizations and management modes. Therefore, the joint venture and foreign passenger vehicles are difficult to penetrate into 3rd to 6th cities in China. But if some Chinese-branded companies can promote their product qualities with affordable prices, they will become the auto market leaders with massive competitive advantages.

Company Analysis

1) By the successful integration with Volvo, Geely has gained a sustainable competitive advantage

Since acquiring Volvo, Geely has been strongly supported for its R&D and design by Volvo within many years of group integration. And its new product GC9 became the the biggest seller in the Chinese-brand B-class sedan market in 2015. The huge advantages on Geely are as follows:

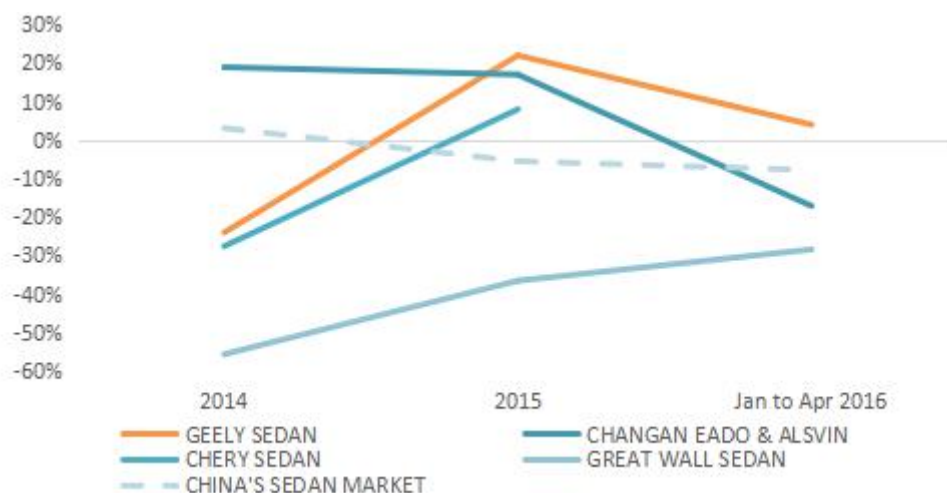
- **Quality:** Geely's core technologies including the engine and safety technology on its new products are mainly from Volvo, therefore its quality is better than many domestic brands.
- **Design:** Geely's new brands are in the charge of Volvo chief designer. As the appearance is the factor consumers are most concerned about when purchasing cars, the improved appearance on its new cars can promote its sales significantly.

- **Cost:** Geely shares the common purchasing channel and manufacturing platform with Volvo, and can also get the free technical support from Volvo. Therefore, this production mode can make its cost lower than the other Chinese-branded passenger vehicles. Due to the patent fee costing 5-10% of selling price or the high import tax, the joint venture and foreign passenger vehicles typically bear higher cost.

2) Strong competitiveness will help Geely gain greater market shares even if in a falling market

Although the car market was highly competitive in 2015, Geely still achieved 38% growth in revenue plus 58% growth in profit, far higher than peers. The new models keep selling well, indicating that Geely's strategy and marketing are very successful after the switch from the multi-brand strategy into a boutique strategy on its market positioning. By offering better quality and services, the company will be able to take more market shares from its competitors even in a falling market.

Geely's sedan sales have been better than other domestic cars since 2015



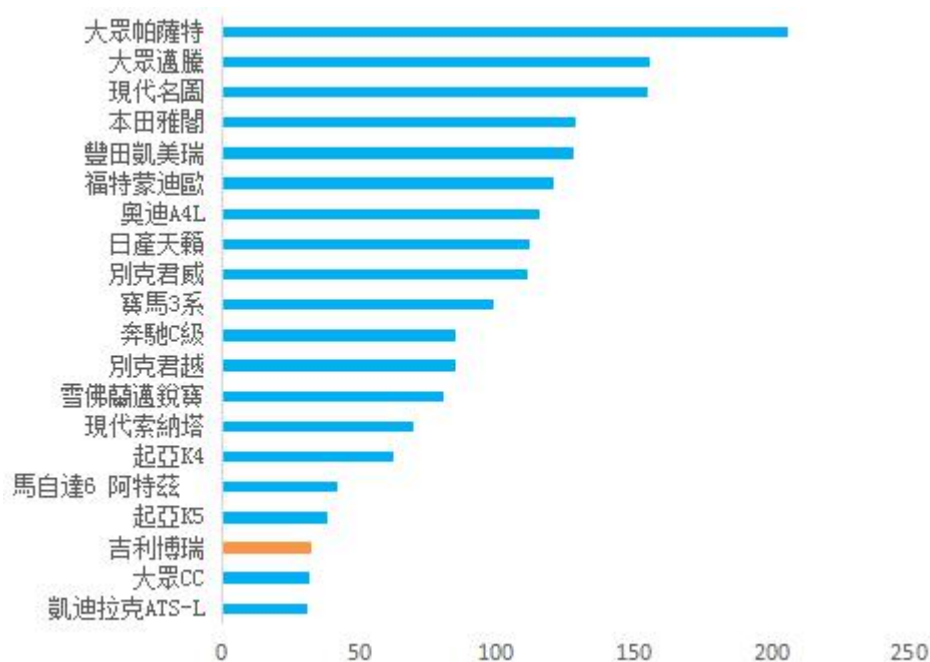
Source: Company Information, Internet

3) Via entering into the SUV market with sales price between 70,000 and 100,000 RMB, Geely is able to meet great potential demands by offering the high-quality and low-priced cars

In recent years, China's SUV car market has maintained rapid development, but it is still difficult to buy cars over 100k RMB for most of the residents in the 3rd to 6th cities. Therefore, a large number of Chinese brands such as the Great Wall began to sell their new SUV with prices down to around 90k RMB for meeting those potential demand.

As the bestseller GC9 shows Geely's success of introducing technology and design from Volvo, Geely decides to launch 4 SUVs in 2016 for balancing its product strategy between sedan and SUV and enhancing its competitiveness. And its brand-new SUV Boyue starts at around 100k RMB, close to its competitor Great Wall Haval H6, but with more cost efficient. Hence I predict Geely Boyue's sales on May Day and orders in the next 12 months will be far stronger than expected.

**Geely GC9 ranked TOP 20 China's B-class car sales in 2015,
and 1st among Chinese brands for the first time (thousands)**



Source: Internet

4) In the market with unit price of 100,000 to 130,000 RMB, Geely still can beat the other domestic, JV and foreign brands

Whether it is in the 100k to 130k RMB market which is a hot market currently or 10k-13k RMB market which will be popular in the next years due to China's consumption upgrade, Geely owns unbeatable competitive advantages. And the reasons are as follows:

Firstly, Geely's technical advantages stemmed from the successful acquisition of the high-end brand Volvo, while its competitors like Changan and Great Wall mainly rely on their own R&D, which typically takes much longer time to get improved products. Further, even if the competition goes into the 100k-130k RMB market in the future, Geely can continue getting free advanced technology and support from Volvo.

Secondly, even if there were some domestic competitors which began to acquire foreign car brands for enhancing their strength, it still needs to take at least 4 years for going through the negotiation, acquisition, integration and the introduction of new cars. Further, according to statistics, more than 70% of cross-border acquisitions ended in failure (refer to the acquisition of Ssangyong Motors by SAIC Motor, Alcatel by TCL, Nokia by Microsoft and Ericsson by Sony). Hence, no other Chinese auto brands can beat Geely in next 3-5 years.

Thirdly, foreign and joint venture cars are mainly positioned in the high-and mid-end product markets, so most of the consumers from 3rd to 6th cities cannot afford those expansive cars. In addition, as those big companies' organizational structures are typically very complex, they are difficult to make quick-responses to the market, and hard to concentrate on penetrating into the middle-lower income cities.

5) Geely's strategy is successful and sustainable, and will become another *Anta* in the auto industry (as *ANTA* is the leading sports goods enterprise in China)

By producing cars with higher quality and lower price, combined with effective marketing plus management, Geely is likely to become the leader in the 3rd to 6th tier cities, where is the greatest market in China.

The development path in Geely is much like Anta Sports (2020.HK), one leading sports goods enterprise in China. Instead of competing with Nike and Adidas, Anta has been always focusing on the 3rd to 6th tier cities,

and became the winner via the cost-effective advantage and efficient operations management. For the competition, Geely VS Great Wall is similar to Anta VS Li Ning, Geely will seize more market share from Great Wall.

6) Geely's ROE will be in an uptrend with rising margin and turnover

Geely's current profitability is weaker than some of its competitors, like both of its net margin and ROE are only half of Great Wall. Nevertheless, when Geely's upgraded products especially brand-new SUVs come to be popular, its net margin and turnover will keep increasing, leading to higher ROE and stock price.

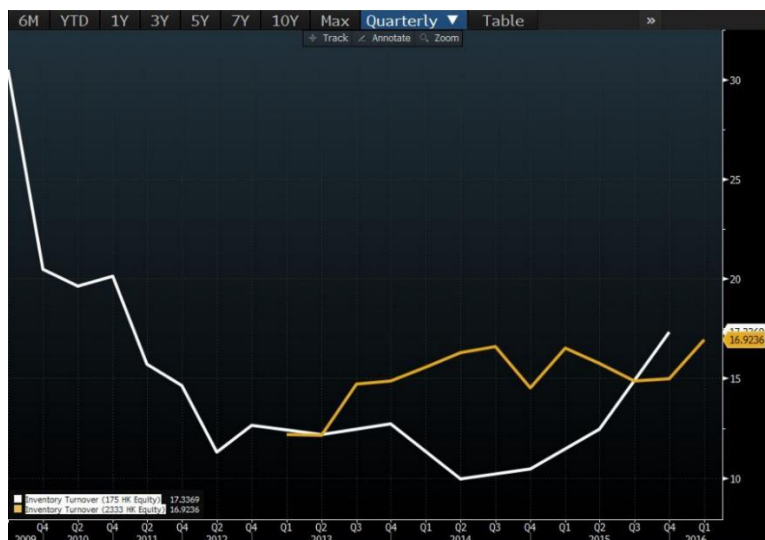
The Gross Margin of Geely VS Great Wall



The Net Margin of Geely VS Great Wall



The Inventory Turnover of Geely VS Great Wall



The ROE of Geely VS Great Wall



Valuation and Timing

1) The reasons for Geely's price is going to rebound in the short term:

1. As the current market sentiment is not optimistic, the investors in Hong Kong market prefer growth stocks maintaining high growth and utility stocks offering stable dividends. Hence, there are certain investment opportunities on listed companies with good performance.
2. Geely boyue has been hot-selling since launched in March 2016, and these sales data can be tracked

monthly, thus Geely's stock price can go up in the short-term if its monthly sales are better than expected, without having to wait until interim results announcement.

3. Geely's price is substantially undervalued.

2) Valuation

Step 1: Building valuation model combining DCF and PE approaches

Via tracking its business data and analyzing its product competitiveness on our target company, its earnings growth in the 3rd year can be divided into 3 scenarios, including estimate optimistic, neutral, conservative situation. And the valuation model I create is as follows:

$$\frac{P}{S * (1 + \Delta Q)^3 * (1 + \Delta P)^3 * r} = \frac{P}{E_f}$$

P = last price

S = sales in 2015

ΔQ = estimated rate of change in sales volume during next 3 years

ΔP = estimated rate of change in average price during next 3 years

r = estimated net margin in the 3rd year

E_f = estimated net profit in the 3rd year

Step 2: Calculating the range of Potential Yield

Scenario analysis on Geely

2016. 5. 17		2018E				
PS		ΔQ	ΔP	r	PE_f	Fair PE
Optimistic	0.9299	49.2%	15.0%	8.2%	6.61	12.0–15.0 If net profit will keep growing 3% yoy after 2018
Neutral	0.9299	36.3%	8.0%	7.5%	8.42	10.0–12.0 If net profit will keep growing 2% yoy after 2018
Pessimistic	0.9299	33.8%	5.0%	6.5%	10.18	8.0–10.0 If net profit will keep growing 0% yoy after 2018

By inputting the expected ΔQ , ΔP and r into my modeling for calculating the reasonable PE in the 3rd year on different scenarios, the target price can be derived in a certain range. And the formula of target price is as follow:

$$\text{Target price} = PE_{2018E} * \text{Net Profit}_{2018E}$$

As the potential yield $\in [-21.41\%, 126.93\%]$, it is a good buying opportunity at current price.

Potential Yield

	Optimistic scenario	Reasonable low PE (2018E)	Reasonable high PE (2018E)
PE	6.61	12	15
Last price		If PE=12	If PE=15
Target price	3.7	6.72	8.40
Potential yield	0%	81.54%	126.93%

	Neutral scenario	Reasonable low PE (2018E)	Reasonable high PE (2018E)
PE	8.42	10	12
Last price		If PE=10	If PE=12
Target price	3.7	4.39	5.27
Potential yield	0%	18.65%	42.43%

	Pessimistic scenario	Reasonable low PE (2018E)	Reasonable high PE (2018E)
PE	10.18	8	10
Last price		If PE=8	If PE=10
Target price	3.7	2.91	3.63
Potential yield	0%	-21.41%	-1.77%

Potential yield			
Minimum rate of return		Maximum rate of return	
-21.41%		126.93%	

Step 3: Backtesting for calculating the yields in the short term

From the backtesting process on Geely's historical P/S ratio, we can find the PS ratio has been fluctuating in the range of 0.7%-1.3% since 2015. In the short term, I estimate the PS will rise to point D from point C, that is the PS ratio will rebound to the level of point A. The reasons are as follows:

The P/S ratio will rise to point D from point C



We can get the speculated value of PE_f , ΔQ , ΔP and r via my reckoning based on Geely's fundamentals, combined with the historical PS ratio chart above. On the point D, the figures are close to my estimation from Neutral Scenario, and the company's business prospect is even brighter than on the point A. Hence, the PS ratio be likely to move to the point D from the point C, and that is potential yield of 39.18% in the short term.

Calculation of the target price in the point D

	Point	PS	PE_f	ΔQ	ΔP	r	Price
2015. 12. 17	A	1. 2942	12	35. 7%	6. 0%	7. 5%	4. 302
2016. 2. 23	B	0. 7	8	28. 2%	5. 0%	6. 5%	2. 902
2016. 5. 17	C	0. 9299	9	37. 9%	7. 0%	7. 0%	3. 632
2016. 5. 18–2016. 12. 31	D	1. 2942	12	40. 0%	7. 0%	7. 2%	5. 055