

TAL

# Revenue beat; likely to turn profitable in FY25

Reiterate Rating: BUY | PO: 15.70 USD | Price: 11.30 USD

## Largely maintain our estimates and PO; reiterate Buy

TAL's Nov-Q beat on topline. Revenue was up 61% YoY to USD374mn, 8% above the high-end of guidance (40-45%). Non-GAAP OP loss came in at -2.7%, which is slightly better than the expectation of -5.0%. We largely maintain our estimates and our PO of USD15.7. We reiterate Buy on TAL, given 1) favorable supply/demand dynamics of the education sector; and 2) getting closer to breakeven in FY24 and to turn profitable in FY25, thanks to strong topline growth and operating leverage.

## Nov-Q: strong revenue growth, but still loss-making

Revenue grew 61% in USD terms or 64% in RMB terms in Nov-Q. Learning services revenue contributed two-thirds of the total revenue and was up c.30% YoY in RMB terms; of which non-curricular rose 40% (offline up 50%+ and online up single-digit%) and high school grew 10%, and accounted for 40% and 15% of the total revenue, respectively. Content solutions grew 100%+, mainly driven by learning devices. However, GPM contracted 2.1ppt to 53.6% due to higher contribution from learning devices, which is loss-making. Education GPM is likely to be at least stable YoY. SG&A was up 42% YoY largely on higher selling & marketing expenses (+73%) related to learning devices, and AI investment. As a result, non-GAAP OP recorded a loss of USD10mn (loss ratio of 2.7%).

## Feb-Q: driven by learning services, low season for devices

We expect 40%+ revenue growth in RMB terms in Feb-Q, largely driven by learning services. Learning devices growth could still be 100%+, but has moderated from Nov-Q given low season. However, TAL could continue to be loss-making in Feb-Q on higher loss from learning devices (operating deleverage), continuous AI investment, and tech R&D investment (to support longer term growth). We believe TAL will be close to breakeven (at non-GAAP OP level) in FY24 and turn profitable in FY25.

Estimates (Feb) (US\$)	2022A	2023A	2024E	2025E	2026E
Net Income (Adjusted - mn)	(961)	(27)	41	173	300
EPS	(1.76)	(0.213)	(0.076)	0.131	0.329
EPS Change (YoY)	-828.3%	87.9%	64.2%	NM	151.6%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(4.39)	(0.386)	(0.020)	0.470	0.787
<b>Valuation (Feb)</b>					
P/E	NM	NM	NM	86.51x	34.38x
EV / EBITDA*	NM	NM	NM	23.06x	10.99x
Free Cash Flow Yield*	-40.99%	-3.57%	-0.182%	4.35%	7.27%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 7.

25 January 2024

## Equity

### Key Changes

(US\$)	Previous	Current
2024E EPS	-0.12	-0.08
2025E EPS	0.11	0.13
2026E EPS	0.37	0.33
2024E EBITDA (m)	-28.6	-10.1
2025E EBITDA (m)	145.8	161.9
2026E EBITDA (m)	372.3	339.6

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## Stock Data

Price	11.30 USD
Price Objective	15.70 USD
Date Established	4-Jan-2024
Investment Opinion	C-1-9
52-Week Range	5.09 USD-13.49 USD
Mrkt Val / Shares Out (mn)	6,902 USD / 610.8
Average Daily Value (mn)	77.35 USD
Free Float	55.8%
BofA Ticker / Exchange	TAL / NYS
Bloomberg / Reuters	TAL US / TALN
ROE (2024E)	1.1%
Net Dbt to Eqty (Feb-2023A)	-86.33%

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**Refer to important disclosures on page 9 to 11. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.**

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Timestamp: 25 January 2024 11:16AM EST

# iQprofile<sup>SM</sup> TAL

Key Income Statement Data (Feb)	2022A	2023A	2024E	2025E	2026E
(US\$ Millions)					
Sales	4,391	1,020	1,435	1,913	2,574
Gross Profit	2,188	583	775	1,052	1,429
Sell General & Admin Expense	(2,318)	(697)	(884)	(1,028)	(1,246)
Operating Profit	(615)	(91)	(97)	37	195
Net Interest & Other Income	(164)	(19)	65	90	90
Associates	NA	NA	NA	NA	NA
Pretax Income	(778)	(110)	(32)	127	285
Tax (expense) / Benefit	(397)	(20)	(17)	(43)	(75)
Net Income (Adjusted)	(961)	(27)	41	173	300
Average Fully Diluted Shares Outstanding	644	638	638	638	638

## Key Cash Flow Statement Data

Net Income	(1,136)	(136)	(49)	83	210
Depreciation & Amortization	190	85	87	125	145
Change in Working Capital	(1,880)	(60)	164	283	404
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	243	17	0	0	0
Cash Flow from Operations	(2,583)	(93)	203	491	759
Capital Expenditure	(246)	(153)	(215)	(191)	(257)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	637	143	0	0	0
Cash Flow from Investing	391	(10)	(215)	(191)	(257)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Cash Flow from Financing	(2,888)	(24)	0	0	0
Free Cash Flow	(2,829)	(246)	(13)	300	502
Net Debt	(3,464)	(3,298)	(3,286)	(3,586)	(4,088)
Change in Net Debt	2,193	103	13	(300)	(502)

## Key Balance Sheet Data

Property, Plant & Equipment	281	289	417	484	596
Other Non-Current Assets	1,170	967	967	967	967
Trade Receivables	1	0	0	0	0
Cash & Equivalents	3,464	3,298	3,286	3,586	4,088
Other Current Assets	166	170	182	197	221
Total Assets	5,083	4,724	4,853	5,234	5,872
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	178	120	117	117	117
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	903	784	963	1,261	1,689
Total Liabilities	1,080	903	1,080	1,378	1,806
Total Equity	4,002	3,821	3,772	3,856	4,065
Total Equity & Liabilities	5,083	4,724	4,853	5,234	5,872

## iQmethod<sup>SM</sup> - Bus Performance\*

Return On Capital Employed	-7.1%	-0.6%	-0.2%	2.1%	5.1%
Return On Equity	-20.8%	-0.7%	1.1%	4.5%	7.6%
Operating Margin	-14.0%	-8.9%	-6.8%	1.9%	7.6%
EBITDA Margin	-9.7%	-0.6%	-0.7%	8.5%	13.2%

## iQmethod<sup>SM</sup> - Quality of Earnings\*

Cash Realization Ratio	NM	NM	4.9x	2.8x	2.5x
Asset Replacement Ratio	1.4x	1.8x	2.5x	1.5x	1.8x
Tax Rate (Reported)	NM	NM	NM	34.2%	26.3%
Net Debt-to-Equity Ratio	-86.6%	-86.3%	-87.1%	-93.0%	-100.5%
Interest Cover	NM	NA	NA	NA	NA

## Key Metrics

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

## Company Sector

Education & Training Services

## Company Description

Founded in 2003, TAL engages in learning services, learning content solution and learning technology solution businesses. It has the mission of "to empower life-long growth with love and technology". The company listed in Oct 2010.

## Investment Rationale

We rate TAL Buy for the following reasons: 1) Favorable market dynamics for China education sector, with both market share gaining for leaders and demand surging post reopening. 2) We expect TA to get closer to breakeven in FY24 and turn profitable in FY25. Smaller scale, AI investment, accounting treatment of learning device and overseas tutoring were the key drags of profitability, which have now been mitigated.

## Stock Data

Price to Book Value

1.8x

# Earnings revisions

## Exhibit 1: TAL: Earnings revisions

We narrow our net loss estimate for 2024 and largely maintain our estimates for 2025

	2024E			2025E		
	Old	New	+/-	Old	New	+/-
<b>P&amp;L (USDmn)</b>						
<b>Revenue</b>	<b>1,427</b>	<b>1,435</b>	<b>0.6%</b>	<b>1,913</b>	<b>1,913</b>	<b>0.0%</b>
Gross profit	782	775	-0.9%	1,071	1,052	-1.8%
Operating expenses	-920	-884	-3.9%	-1,073	-1,028	-4.2%
Operating profit	-115	-97	16.0%	21	37	-74.9%
<b>Non-GAAP operating profit</b>	<b>-13</b>	<b>-7</b>	<b>-48.3%</b>	<b>123</b>	<b>127</b>	<b>3.0%</b>
Profit before tax	-60	-32	-47.2%	111	127	14.1%
Net profit	-76	-49	-35.9%	68	83	21.9%
SBC	-102	-90	-11.8%	-102	-90	-11.8%
<b>Non-GAAP net profit</b>	<b>26</b>	<b>41</b>	<b>57.6%</b>	<b>170</b>	<b>173</b>	<b>1.7%</b>
<b>Ratio Analysis (as % of revenue)</b>						
<b>GP margin</b>	<b>54.8%</b>	<b>54.0%</b>	<b>-80 bps</b>	<b>56.0%</b>	<b>55.0%</b>	<b>-100 bps</b>
Operating Expenses	64.5%	61.6%	-289 bps	56.1%	53.7%	-238 bps
OP margin	-8.1%	-6.8%	134 bps	1.1%	1.9%	82 bps
<b>Non-GAAP OPM</b>	<b>-0.9%</b>	<b>-0.5%</b>	<b>46 bps</b>	<b>6.4%</b>	<b>6.6%</b>	<b>19 bps</b>
Net margin	-5.3%	-3.4%	193 bps	3.6%	4.4%	78 bps
<b>Non-GAAP NPM</b>	<b>1.8%</b>	<b>2.9%</b>	<b>105 bps</b>	<b>8.9%</b>	<b>9.1%</b>	<b>15 bps</b>

Source: BofA Global Research estimates

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We narrow our net loss estimate for 2024, largely maintain our estimates for 2025, and maintain our PO of USD15.7. Our valuation is based on a SOTP of net cash and ex-cash P/E. Net cash per share as of end-FY25 is USD5.1. Our P/E-based value is USD10.6, calculated using 30x FY26E P/E (unchanged).

# Results at a glance

## Exhibit 2: TAL: FY3Q24 result highlights

3Q24 revenue up 60.5% YoY and recorded 2.7% non-GAAP margin loss

	FY2Q23	FY2Q24	YoY%
<b>P&amp;L Highlights (USDmn)</b>			
<b>Revenue</b>	<b>233</b>	<b>374</b>	<b>60.5%</b>
Cost of revenue	-103	-173	68.2%
<b>Gross profit</b>	<b>130</b>	<b>200</b>	<b>54.4%</b>
Operating expenses	-163	-233	42.4%
<b>Operating profit</b>	<b>-33</b>	<b>-32</b>	<b>-2.1%</b>
<b>Non-GAAP Operating profit</b>	<b>-5</b>	<b>-10</b>	<b>124.3%</b>
<b>Net interest expenses</b>	<b>16</b>	<b>20</b>	<b>25.6%</b>
Other gains& losses	-32	11	-134.3%
<b>Profit before tax</b>	<b>-49</b>	<b>-1</b>	<b>-97.9%</b>
Income tax	-3	-15	457.8%
<b>Non-GAAP Net profit</b>	<b>-23</b>	<b>-2</b>	<b>-91.6%</b>
<b>Core Non-GAAP Net profit*</b>	<b>9</b>	<b>-13</b>	<b>-244.4%</b>
<b>Margin</b>			
<b>GP margin</b>	<b>55.8%</b>	<b>53.6%</b>	<b>-2.1%</b>
SG&A/sales	70.2%	62.3%	-7.9%
incl. Selling & distribution/sales	-30.3%	-32.7%	-2.4%
Admin/sales	-40.0%	-29.6%	10.3%
OP margin	-14.1%	-8.6%	5.5%
<b>Non-GAAP OPM</b>	<b>-2.0%</b>	<b>-2.7%</b>	<b>-0.8%</b>
Non-GAAP NPM	-10.0%	-0.5%	9.5%
<b>Core Non-GAAP NPM*</b>	<b>3.9%</b>	<b>-3.5%</b>	<b>-7.3%</b>

Source: Company. \*excluding FV change

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# Financials

## Exhibit 3: TAL: P&L

Resetting base in FY23

USDmn	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>4,391</b>	<b>1,020</b>	<b>1,435</b>	<b>1,913</b>	<b>2,574</b>
COGS	-2,203	-436	-660	-861	-1,145
<b>Gross profit</b>	<b>2,188</b>	<b>583</b>	<b>775</b>	<b>1,052</b>	<b>1,429</b>
Other income/Gains	-259	-81	-25	0	0
SG&A expenses	-2,823	-697	-884	-1,028	-1,246
<b>Operating profit</b>	<b>-615</b>	<b>-91</b>	<b>-97</b>	<b>37</b>	<b>195</b>
<b>Non-GAAP Operating Profit</b>	<b>-440</b>	<b>18</b>	<b>-7</b>	<b>127</b>	<b>285</b>
Net finance costs	95	62	90	90	90
<b>Profit before tax</b>	<b>-778</b>	<b>-110</b>	<b>-32</b>	<b>127</b>	<b>285</b>
Tax	-397	-20	-17	-43	-75
<b>Net profit</b>	<b>-1,136</b>	<b>-136</b>	<b>-49</b>	<b>83</b>	<b>210</b>
<b>Non-GAAP Profit</b>	<b>-961</b>	<b>-27</b>	<b>41</b>	<b>173</b>	<b>300</b>
<b>Core Non-GAAP profit</b>	<b>-197</b>	<b>54</b>	<b>66</b>	<b>173</b>	<b>300</b>

Source: BofA Global Research estimates, Company

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## Exhibit 4: TAL: Cash flow

Stable cash position

USDmn	FY22A	FY23A	FY24E	FY25E	FY26E
<b>EBITDA</b>	<b>-425</b>	<b>-6</b>	<b>-10</b>	<b>162</b>	<b>340</b>
Less Changes in WK Capital	-1,880	-60	164	283	404
Other Non Cash Items	271	14	0	0	0
<b>Gross Operating Cash flow</b>	<b>-2,033</b>	<b>-52</b>	<b>154</b>	<b>445</b>	<b>744</b>
Less Net Interest Paid	95	62	90	90	90
Less Tax Paid	-397	-20	-17	-43	-75
Others	-248	-83	-25	0	0
<b>Net Operating Cash flow</b>	<b>-2,583</b>	<b>-93</b>	<b>203</b>	<b>491</b>	<b>759</b>
Less Capex	-246	-153	-215	-191	-257
Others	637	143	0	0	0
<b>Free Cash flow</b>	<b>-1,737</b>	<b>-103</b>	<b>-13</b>	<b>300</b>	<b>502</b>
Equity Issue	0	0	0	0	0
Other	-1	0	0	0	0
<b>Change in Cash</b>	<b>-4,625</b>	<b>-127</b>	<b>-13</b>	<b>300</b>	<b>502</b>

Source: BofA Global Research estimates, Company

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## Exhibit 5: TAL: Balance Sheet

Stable cash position through FY22-26E

USDmn	FY22A	FY23A	FY24E	FY25E	FY26E
Bank Balances and Cash	3,464	3,298	3,286	3,586	4,088
Inventories	22	39	51	66	90
Others	145	131	131	131	131
<b>Total Current Assets</b>	<b>3,631</b>	<b>3,468</b>	<b>3,468</b>	<b>3,783</b>	<b>4,309</b>
Property, Plant and Equipment	281	289	417	484	596
Long term deposit	412	453	453	453	453
Goodwill	0	0	0	0	0
Others	757	514	513	513	513
<b>Total Non-Current Assets</b>	<b>1,451</b>	<b>1,256</b>	<b>1,384</b>	<b>1,450</b>	<b>1,563</b>
<b>Total Assets</b>	<b>5,083</b>	<b>4,724</b>	<b>4,853</b>	<b>5,234</b>	<b>5,872</b>
Trade Payables	90	60	85	104	147
Accrued expense	509	447	502	670	901
Deferred revenue	188	235	334	445	599
Others	116	42	42	42	42
<b>Total Current Liabilities</b>	<b>903</b>	<b>784</b>	<b>963</b>	<b>1,261</b>	<b>1,689</b>
Bond payable	0	0	0	0	0
Deferred revenue	0	2	0	0	0
Long term debt	0	0	0	0	0
Others	178	117	117	117	117
<b>Total Non-Current Liabilities</b>	<b>178</b>	<b>120</b>	<b>117</b>	<b>117</b>	<b>117</b>
<b>Total Liabilities</b>	<b>1,080</b>	<b>903</b>	<b>1,080</b>	<b>1,378</b>	<b>1,806</b>
<b>Minority Interest</b>	<b>-28</b>	<b>-24</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shareholders Equity</b>	<b>4,002</b>	<b>3,821</b>	<b>3,772</b>	<b>3,856</b>	<b>4,065</b>

Source: BofA Global Research estimates, Company

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## Exhibit 6: TAL: Ratio Analysis

FY24E non-GAAP operating profit likely still under pressure

	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Profit &amp; Loss</b>					
Revenue Growth (%)	-2.3	-76.8	40.7	33.3	34.6
Earnings Growth (%)	879.5	-88.1	-64.2	NM	151.6
Non-GAAP NPAT growth (%)	NM	-97.2	NM	317.9	72.9
Core Non-GAAP NPAT growth (%)	NM	NM	24.2	160.7	72.9
Gross Margin (%)	49.8	57.2	54.0	55.0	55.5
Operating Margin (%)	-14.0	-8.9	-6.8	1.9	7.6
Non-GAAP Operating Margin (%)	-10.0	1.7	-0.5	6.6	11.1
Net Margin (%)	-25.9	-13.3	-3.4	4.4	8.1
Non-GAAP Net Margin (%)	-21.9	-2.7	2.9	9.1	11.6
Core Non-GAAP Net Margin (%)	-4.5	5.2	4.6	9.1	11.6
Effective Tax Rate (%)	-115.3	25.2	20.0	20.0	20.0
<b>Balance Sheet</b>					
Net Cash (USDmn)	3,277	3,064	2,952	3,141	3,488
Net Debt/Equity (%)	-81.9	-80.2	-78.2	-81.5	-85.8
ROE (%)	-24.7	-3.5	-1.3	2.2	5.3
ROA (%)	-12.8	-0.4	-0.1	2.0	4.1

Source: BofA Global Research estimates, Company

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## Price objective basis & risk

### TAL (TAL)

Our PO for TAL is US\$15.7 per ADS, based on sum of net cash and ex-cash P/E. Net cash per share as of end FY25 is USD5.1 per share. Our P/E based value is USD10.6, calculated using 30x FY26E P/E. We believe 30x is a fair multiple given TAL's potential 30%+.

Upside risks to our PO: Less-than-expected policy implementation, faster roll out of high-school business, faster-than-expected development of non K-12 academic business. Downside risks to our PO: regulatory risk, VIE corporate structure risk, execution risk on expansion, recruitment and retention of quality teachers, reputation risk, competition, foreign currency fluctuation, expiration of preferential tax holiday, higher-than-expected online losses and restatement of online customer numbers.

## Analyst Certification

I, Lucy Yu, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### APR - Consumer Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	ABC-MART	AMKYF	2670 JP	Arashi Nishizawa
	Adastria	PNMOF	2685 JP	Arashi Nishizawa
	AmorePacific Corp	AMRPF	090430 KS	Ahyung Cho
	Anta Sports	ANPDF	2020 HK	Lucy Yu
	Asahi Group Holdings	ASBRF	2502 JP	Haruka Ono
	Avenue Supermarts	XWCVF	DMART IN	Aditya Mathur
	BGF Retail	XWAHF	282330 KS	Ahyung Cho
	Bosideng	BSDGF	3998 HK	Lucy Yu
	BUD APAC	BDWBF	1876 HK	Chen Luo, CFA
	China Resources Beer (Holdings) Co Ltd	CRHKF	291 HK	Chen Luo, CFA
	Cosmos Pharmaceutical	CSMYF	3349 JP	Arashi Nishizawa
	Dabur India	DBUIF	DABUR IN	Aditya Mathur
	DESCENTE	DESLF	8114 JP	Arashi Nishizawa
	DPC Dash Ltd	DPCDF	1405 HK	Lucy Yu
	Eastroc	XEBSF	605499 CH	Jack Chen
	Eclat	ECLAF	1476 TT	Ronald Leung, CFA
	E-Mart	EMRTF	139480 KS	Ahyung Cho
	GOLDWIN	GWNCF	8111 JP	Arashi Nishizawa
	H&H International Holdings	BTSDF	1112 HK	Lynn Wu
	Haier Smart Home Co Ltd	TTHEF	600690 CH	Lucy Yu
	Haier Smart Home Co Ltd	HRSHF	6690 HK	Lucy Yu
	Henan Shuanghui Investment & Dev	HSUIF	000895 CH	Chen Luo, CFA
	Hindustan Unilever	HINLF	HUVR IN	Aditya Mathur
	Hisense Home Appliance	XMBQF	000921 CH	Lucy Yu
	Hisense Home Appliance	HISEF	921 HK	Lucy Yu
	ITC	ITCTF	ITC IN	Aditya Mathur
	JINS HOLDINGS	JNDOF	3046 JP	Arashi Nishizawa
	Kobe Bussan	KOBNF	3038 JP	Arashi Nishizawa
	KT&G	KTCIF	033780 KS	Ahyung Cho
	Kweichow Moutai Co. Ltd.	XHJBF	600519 CH	Chen Luo, CFA
	Lawson	LWSOF	2651 JP	Arashi Nishizawa
	Li Ning Co Ltd	LNNGF	2331 HK	Lucy Yu
	Ligao Foods	XLFLF	300973 CH	Jack Chen
	Luzhou Laojiao	XMBBF	000568 CH	Lynn Wu
	Makalot Industrial	MAKAF	1477 TT	Ronald Leung, CFA
	Man Wah Holdings	MAWHF	1999 HK	Yoyo Pang
	MatsukiyoCocokara & Co	MSMKF	3088 JP	Arashi Nishizawa



## APR - Consumer Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Mengniu Dairy	CIADF	2319 HK	Chen Luo, CFA
	Merida Industry Co Ltd	MIUYF	9914 TT	Ronald Leung, CFA
	MINISO Group Holdings	MNSO	MNSO US	Lucy Yu
	MINISO Group Holdings	XKTAF	9896 HK	Lucy Yu
	New Oriental Education & Technology	EDU	EDU US	Lucy Yu
	New Oriental Education & Technology	NWOEF	9901 HK	Lucy Yu
	Nitori Holdings	NCLTF	9843 JP	Arashi Nishizawa
	Proya Cosmetics	XPXCF	603605 CH	Lynn Wu
	Ryohin Keikaku	RYKKF	7453 JP	Arashi Nishizawa
	Ryohin Keikaku	RYKKY	RYKKY US	Arashi Nishizawa
	Samsonite International	SMSOF	1910 HK	Jack Chen
	Seven & i Holdings	SVNDF	3382 JP	Arashi Nishizawa
	Shenzhou International	SZHIF	2313 HK	Chen Luo, CFA
	Sun Art Retail Group	SURRF	6808 HK	Chen Luo, CFA
	Sundrug	SDGCF	9989 JP	Arashi Nishizawa
	TAL	TAL	TAL US	Lucy Yu
	Tingyi	TCYMF	322 HK	Jack Chen
	Titan Company	XNXAF	TTAN IN	Aditya Mathur
	Topsports International Holding Ltd.	TPSRF	6110 HK	Lucy Yu
	Tsingtao Brewery	TSGTF	168 HK	Lynn Wu
	Tsingtao Brewery	XTSOF	600600 CH	Lynn Wu
	Uni-president China	UNPSF	220 HK	Jack Chen
	UNITED ARROWS	UARWF	7606 JP	Arashi Nishizawa
	United Breweries	UBWRF	UBBL IN	Aditya Mathur
	Varun Beverages	XMKDF	VBLL IN	Aditya Mathur
	WH Group Limited	WHGRF	288 HK	Chen Luo, CFA
	Wuliangye Yibin	YBWUF	000858 CH	Chen Luo, CFA
	Yili Industrial Group	XIDRF	600887 CH	Chen Luo, CFA
	Yum China	YUMC	YUMC US	Chen Luo, CFA
	Yum China	XYUMF	9987 HK	Chen Luo, CFA

## NEUTRAL

	Anjoy Foods	XSWCF	603345 CH	Jack Chen
	Asian Paints	XSAFF	APNT IN	Aditya Mathur
	China Feihe	CHFLF	6186 HK	Lynn Wu
	Chow Tai Fook Jewellery	CJWF	1929 HK	Ronald Leung, CFA
	Fast Retailing	FRCOF	9983 JP	Arashi Nishizawa
	Fast Retailing	FRCOF	FRCOF US	Arashi Nishizawa
	Fenbi Ltd	XFTTF	2469 HK	Lucy Yu
	Giant Manufacturing	GTMUF	9921 TT	Ronald Leung, CFA
	Godrej Consumer Products	XGOCF	GCPL IN	Aditya Mathur
	Gree Electric Appliances	ZHUHF	000651 CH	Chen Luo, CFA
	GS Retail	XGLTF	007070 KS	Ahyung Cho
	Haidilao International Holding Ltd.	HDALF	6862 HK	Lucy Yu
	Hengan Intl	HEGIF	1044 HK	Jack Chen
	Hotel Shilla	HSLLF	008770 KS	Ahyung Cho
	Hyundai Dept Store	HDTSF	069960 KS	Ahyung Cho
	Jason Furniture	XVZDF	603816 CH	Yoyo Pang
	Jubilant FoodWorks	XJUBF	JUBI IN	Aditya Mathur
	Kirin Holdings	KNBWF	2503 JP	Haruka Ono
	Kirin Holdings	KNBWY	KNBWY US	Haruka Ono
	LG H&H	LGHFF	051900 KS	Ahyung Cho
	L'Occitane International S.A.	LCCTF	973 HK	Lynn Wu
	Nestle India	XNTEF	NEST IN	Aditya Mathur
	Nongfu Spring	NNFSF	9633 HK	Jack Chen
	Pan Pacific International HD	DQJCF	7532 JP	Arashi Nishizawa
	Robam Appliance	XVPDF	002508 CH	Lucy Yu
	Sapphire Foods	XLQLF	SAPPHIRE IN	Aditya Mathur
	Shinsegae	SDKLF	004170 KS	Ahyung Cho
	Tata Consumer Products	XTCUF	TATACONS IN	Aditya Mathur
	Yamada Holdings	YMDAF	9831 JP	Arashi Nishizawa
	Yankershop Food	XYNKF	002847 CH	Jack Chen

## UNDERPERFORM

	Bairun	XSBZF	002568 CH	Jack Chen
	Blue Moon	XBMGF	6993 HK	Jack Chen



## APR - Consumer Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Britannia Industries	XJNDF	BRIT IN	Aditya Mathur
	Colgate-Palmolive India	CPIYF	CLGT IN	Aditya Mathur
	Feng Tay	FTGYF	9910 TT	Ronald Leung, CFA
	Foshan Haitian Flavouring & Food Co Ltd	XCMJF	603288 CH	Lynn Wu
	Fuling Zhacai	XSRTF	002507 CH	Lynn Wu
	Heilan Home Co Ltd	XYWDF	600398 CH	Lucy Yu
	Jiangsu Yanghe Brewery	XJBTF	002304 CH	Chen Luo, CFA
	Lotte Shopping	LOSPF	023530 KS	Ahyung Cho
	Marico	MAIOF	MRCO IN	Aditya Mathur
	Oppein Home Group	XXRFF	603833 CH	Yoyo Pang
	Pdillite Industries	PDLFF	PIDI IN	Aditya Mathur
	Seria	SAOGF	2782 JP	Arashi Nishizawa
	Shanghai Jahwa	SNJUF	600315 CH	Lynn Wu
	Shanghai M&G Stationery	XBHUF	603899 CH	Yoyo Pang
	Shanxi Fen Wine	XCKZF	600809 CH	Lynn Wu
	SHIMAMURA	SHAOF	8227 JP	Arashi Nishizawa
	Smooore	SMORF	6969 HK	Jack Chen
	Snow Peak	XZNCF	7816 JP	Arashi Nishizawa
	Suofeiya Home Collection Co Ltd	XGUZF	002572 CH	Yoyo Pang
	United Spirits	XUNIF	UNSP IN	Aditya Mathur
	Want Want China	WWNTF	151 HK	Chen Luo, CFA
	WORKMAN	WKISF	7564 JP	Arashi Nishizawa
	Xiabu Xiabu	XIAXF	520 HK	Lucy Yu
	Yihai Intl	YNNHF	1579 HK	Lucy Yu
	Yihai Kerry Arawana	XYIHF	300999 CH	Lynn Wu
	Yonghui Superstores Co Ltd	XQYXF	601933 CH	Lucy Yu
	Zhejiang Semir Garment Co Ltd	XARGF	002563 CH	Lucy Yu

## RSTR

	Midea Group Co Ltd	XMGEF	000333 CH	Chen Luo, CFA
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## RVW

	Adani Wilmar	XWMAF	AWLTD IN	Aditya Mathur
	Fancl	FACYF	4921 JP	Yuri Nishizaki
	Kose	KOSCF	4922 JP	Yuri Nishizaki
	Pola Orbis HD	PORBF	4927 JP	Yuri Nishizaki
	Shimano	SHMDF	7309 JP	Yuri Nishizaki
	Shiseido	SSDOF	4911 JP	Yuri Nishizaki
	Shiseido	SSDOY	SSDOY US	Yuri Nishizaki

IQmethod<sup>SM</sup> Measures Definitions

## Business Performance

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

## Quality of Earnings

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

## Valuation Toolkit

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales  
EV / EBITDA

## Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

## Numerator

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

## Numerator

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +  
Other LT Liabilities  
Enterprise Value

## Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

## Denominator

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

## Denominator

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales  
Basic EBIT + Depreciation + Amortization



Valuation Toolkit

Numerator

Denominator

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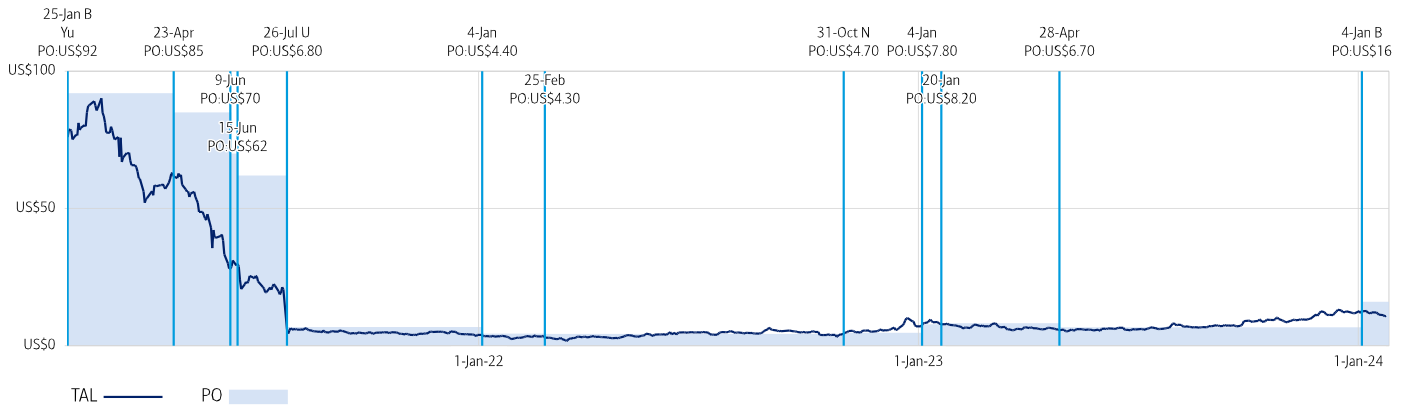




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### Equity Investment Rating Distribution: Education & Training Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	8	53.33%	Buy	2	25.00%
Hold	4	26.67%	Hold	1	25.00%
Sell	3	20.00%	Sell	0	0.00%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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