

## Company Report: Sinopharm (01099 HK)

公司报告: 国药控股 (01099 HK)

Kay Mai 麦梓琪  
(86755) 2397 6685  
maiziqi@gtjas.com  
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# 2020 Results Beat Expectation, "Accumulate"

2020年业绩好于预期, “收集”

- **2020 shareholders' profit of Sinopharm was up 14.9% YoY to RMB7,187 million, slightly outstripping our expectation and market consensus, thanks to better-than-expected gross margin and financial costs.** Revenue increased by 7.3% YoY to RMB456,415 million, outpacing 1.2% top-line growth of the industry in 2020.
- **We expect that shareholders' profit will continue to reach low double-digit growth in 2021, considering that 1) top-line growth is expected to rebound to over 10%, mainly due to continuous decent growth of the retail pharmacy segment and medical device segment, and recovery of pharmaceutical distribution segment; 2) gross profit is expected to remain stable, as the increasing contribution from medical device segment is expected to relieve downward stress triggered by the extension of VBP and gradual implementation of DRG and DIP; and 3) although interest rate is experiencing a rising trend and the cash conversion cycle of Sinopharm can hardly improve at the moment, we think the Company is able to control administrative expenses to stabilize its net profit margin.**
- **2021-2023 shareholders' profit forecasts have been lifted to RMB8,176 million/ RMB9,301million/ RMB10,608 million, respectively, mainly to factor in better-than-expected gross profit management.** The new EPS projections for 2021-2023 are RMB2.620/ RMB2.981/ RMB3.399, up 13.4%/ 13.8%/ 14.1%, respectively.
- **Raise TP to HK\$28.00 accordingly, which represents 8.9x 2021 PER and 7.8x 2022 PER, and maintain investment rating of "Accumulate".**
- **国药控股 2020 年的股东净利润同比增加 14.9%至人民币 7,187 百万元, 小幅好于我们预期以及市场一致预期, 主要是由于毛利率以及财务费用较预期理想。** 公司 2020 年收入同比上升 7.3%至人民币 456,415 百万元, 超过行业 1.2%的收入增速。
- **我们预计 2021 年股东净利可继续维持低双位数增长, 考虑到 1)收入增速有望反弹至 10% 以上, 主要是由于零售药房板块及医疗器械板块预计将维持高速增长而药品分销板块的增速预计将恢复; 2) 毛利率预计亦将维持稳定, 因为医疗器械板块贡献度的增加预计将减轻由带量采购的拓展以及疾病诊断相关分组与病种分值法的逐步实行带来的下行压力; 及 3) 利率处于抬升趋势, 但国药控股的现金循环周期预期短期难有改善空间, 不过我们认为公司可以通过继续控制管理费用维持净利率稳定。**
- **2021-2023 年股东利润预测分别上调至人民币 8,176 百万元/ 人民币 9,301 百万元/ 人民币 10,608 百万元, 主要反映毛利管理好于预期。** 新的 2021-2023 年每股净利预测分别为人民币 2.620 元/ 人民币 2.981 元/ 人民币 3.399 元, 同比增长 13.4%/ 13.8%/ 14.1%。
- **相应提高目标价至 28.00 港元, 目标价对应 8.9 倍 2021 年市盈率以及 7.8 倍 2022 年市盈率, 以及维持“收集”的投资评级,**

Rating:

**Accumulate**

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

**HK\$28.00**

Revised from 原目标价:

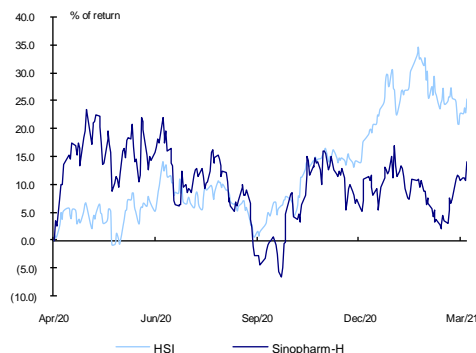
HK\$26.00

Share price 股价:

HK\$19.400

## Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	7.9	2.9	14.0
Rel. % to HS Index 相对恒指变动 %	9.6	(3.4)	(11.4)
Avg. share price (HK\$) 平均股价 (港元)	18.2	18.6	18.8

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2019A	425,273	6,253	2.105	7.1	8.2	15.958	1.1	0.600	3.5	13.9
2020A	456,415	7,187	2.310	9.7	7.0	18.114	0.9	0.690	4.3	13.9
2021F	518,832	8,176	2.620	13.4	6.2	19.990	0.8	0.786	4.9	13.8
2022F	580,012	9,301	2.981	13.8	5.4	22.184	0.7	0.894	5.5	14.1
2023F	644,609	10,608	3.399	14.0	4.8	24.689	0.7	1.020	6.3	14.5
Shares in issue (m) 总股数 (m)				3,120.7	Major shareholder 大股东				CNPIC 57.0%	
Market cap. (HK\$ m) 市值 (HK\$ m)				60,541.6	Free float (%) 自由流通比率 (%)				43.0	
3 month average vol. 3 个月平均成交股数 ('000)				9,952.9	FY21 Net gearing (%) FY21 净负债/股东资金 (%)				21.0	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				21.800 / 15.760	FY21 Est. NAV (HK\$) FY21 每股估值 (港元)				40.2	

Source: the Company, Guotai Junan International.

**Shareholders' profit of Sinopharm was up 14.9% YoY to RMB7,187 million in 2020, outstripping our expectation and market consensus, thanks to better-than-expected gross margin and financial costs.** The Company recorded 2020 revenue of RMB456,415 million, up 7.3% YoY. Gross profit margin remained flat at 8.8%, compared to 2019. Thanks to decreasing borrowing interest and administrative expenses, net profit margin increased by 0.1pts YoY to 1.6%. The Company proposed final dividend of RMB0.69 per share, indicating dividend payout ratio of 29.9%.

**Sinopharm delivered above-industry average performance, implying Sinopharm's competitive advantages in the trend of flattened network and downward extension of channels brought by the basic medical insurance reform, and continuous increase of market concentration.** According to Ministry of Commerce of the PRC, the pharmaceutical distribution industry delivered total sales of RMB2,353 billion, up 1.2% YoY in 2020. The gross margin of major players decreased by 0.1 pts to 8.4%, and the PBT margin remained relatively stable at 1.8% in 2020.

**We expect the growth rate of the pharmaceutical distribution segment in 2021 to rebound at a faster pace from last year's low.** Revenue of pharmaceutical distribution segment increased by 3.3% YoY to RMB348,294 million and accounted for 74.2% (-4.0 pts) of total revenue in 2020. Looking forward to 2021, we expect that with the extension of volume-based procurement (VBP) to more drugs and the gradual implementation of Diagnosis Related Group (DRG) and Diagnosis-Intervention Packet (DIP), Growth of the top line as well as gross profit margin of the pharmaceutical distribution segment will face some downward pressure. However, through taking advantage of its nationwide networks, we believe that Sinopharm is able to undertake more market share to partially offset the influence. We also expect the portfolio structure adjustment and the launch of increasing marketing projects for innovative drugs in the broad lower-tier market will help Sinopharm maintain above-average growth and sound profitability.

**We expect that the medical device segment will deliver above 20% growth in 2021.** Revenue of medical device segment increased by 29.0% YoY to RMB89,402 million and accounted for 19.0% (+3.0 pts) of total revenue in 2020. Looking forward to 2021, we expect that the extension of VBP to medical consumables and the gradual implementation of DRG and DIP may decelerate top-line growth and reduce gross profit margin. Nevertheless, we believe that the medical device segment will maintain robust growth and considerable profitability, as 1) the strategy makes full use of the competitive advantages of "drug-device synergic development" and is expected to promote business synergy to obtain market share and save costs; 2) promoting provision of value-added services such as centralized delivery, in-hospital logistics management, and smart logistics is expected to attract and maintain customers and increase market share; 3) medical device manufacturing, an important part of Sinopharm's development plan, is expected to safeguard market share and profitability; and 4) potential M&As may occur.

**We expect that the retail pharmacy segment will continue to benefit from the acceleration of the trend of separation of medical services and pharmaceutical sales and prescription outflow and to deliver above 15% growth in 2021.** Revenue of the retail pharmacy segment increased by 22.0% YoY to RMB24,164 million and accounted for 5.2% (+0.6 pts) of total revenue in 2020. If the impact of the acquisition of Chengda Fangyuan Pharmaceutical Group Co., Ltd was excluded, revenue of the retail pharmacy segment is estimated to have increased by over 15%. We expect that the retail pharmacy segment will continue to swim with the tide of the acceleration of separation of medical services and pharmaceutical sales and prescription outflow, with increasing connections with basic medical insurance and commercial insurance.

**We expect that shareholders' profit will continue to reach low double-digit growth in 2021,** considering that 1) top-line growth is expected to rebound to over 10%, mainly due to continuous decent growth of the retail pharmacy segment and medical device segment, and recovery of the pharmaceutical distribution segment; 2) gross profit is expected to remain stable, as increasing contribution from the medical device segment is expected to relieve downward stress triggered by the extension of VBP and gradual implementation of DRG and DIP; and 3) although interest rate is experiencing a rising trend and the cash conversion cycle of Sinopharm can hardly improve at the moment, we think that the Company is able to control administrative expenses to stabilize its net profit margin.

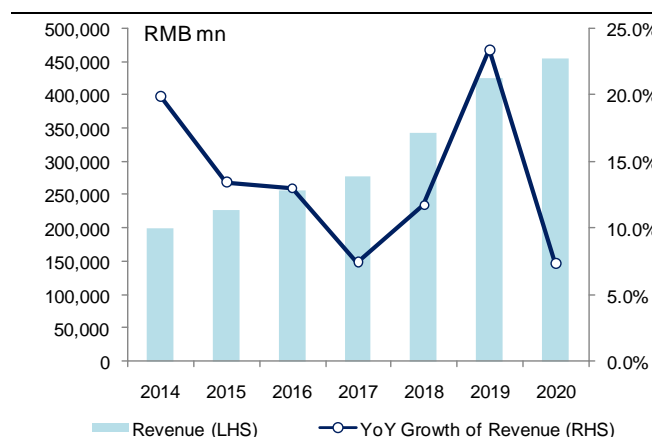
**2021-2023 shareholders' profit forecasts have been lifted to RMB 8,176 million/ RMB9,301 million/ RMB10,608 million, respectively, mainly to factor in better-than-expected gross profit management.** The new EPS projections for 2021-2023 are RMB2.620/ RMB2.981/ RMB3.399, up 13.4%/ 13.8%/ 14.1%, respectively.

**Raise TP to HK\$28.00 accordingly, which represents 8.9x 2021 PER and 87.8x 2022 PER and maintain investment rating of "Accumulate".**

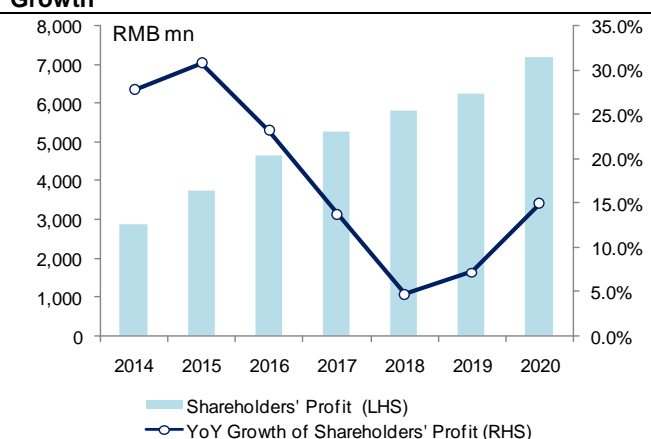
**Table-1: Sinopharm's 2020 Unaudited Results Review**

RMB million	2019A	2020A	Change YoY
Revenue	425,273	456,415	7.3%
-- Pharmaceutical distribution	337,317	348,294	3.3%
-- Retail pharmacy	19,803	24,164	22.0%
-- Medical devices	69,294	89,402	29.0%
-- Other business	5,037	7,652	51.9%
Gross profit	37,531	40,323	7.4%
Operating profit	16,137	17,760	10.1%
Profit after tax	10,620	12,097	13.9%
Shareholder's profit	6,253	7,187	14.9%
EPS	2.105	2.310	9.7%
Operating cash flow	18,777	11,155	-40.6%
Gross profit margin	8.8%	8.8%	0.0 pts
Operating profit margin	3.8%	3.9%	0.1 pts
-- Pharmaceutical distribution	3.7%	3.5%	-0.2 pts
-- Retail pharmacy	2.5%	2.8%	0.3 pts
-- Medical devices	4.0%	4.8%	0.8 pts
-- Other business	8.5%	10.5%	2.1 pts
Net profit margin	1.5%	1.6%	0.1 pts
D&S expense ratio	3.0%	3.1%	0.1 pts
Admin. expenses ratio	1.6%	1.5%	-0.1 pts
Financial costs ratio	0.7%	0.6%	-0.1 pts
Total liability/total assets	71.5%	71.1%	-0.4 pts
Cash conversion cycle (days)	48.2	52.9	4.7
-Days sales of inventory (days)	36.7	39.3	2.6
-Days sales outstanding (days)	98.1	107.0	8.9
-Days payable outstanding (days)	86.6	93.4	6.8

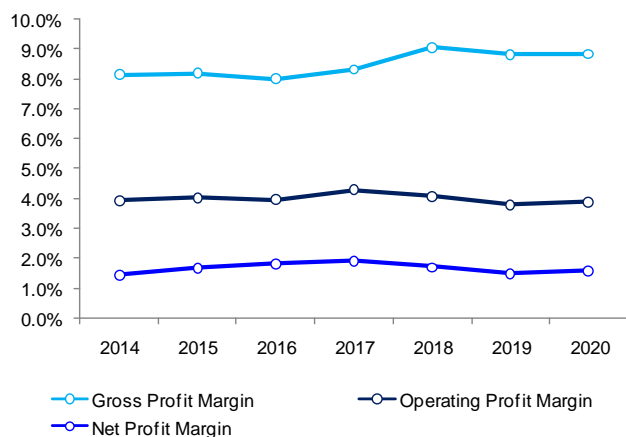
Source: the Company, Guotai Junan International.

**Figure-1: Sinopharm's Revenue and YoY Growth**


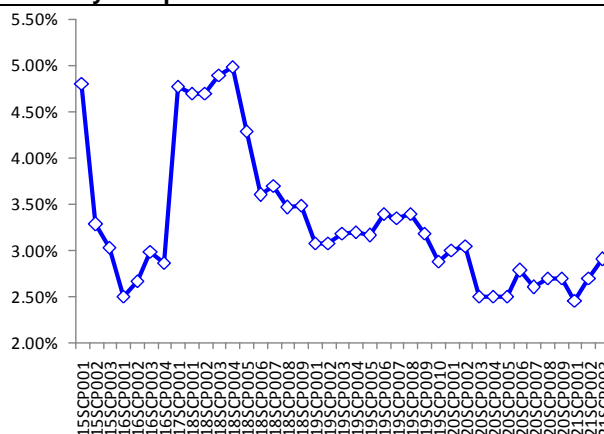
Source: the Company, Guotai Junan International.

**Figure-2: Sinopharm's Shareholders' Profit and YoY Growth**


Source: the Company, Guotai Junan International.

**Figure-3: Sinopharm's Margins**


Source: the Company, Guotai Junan International.

**Figure-4: Interest Rates of Ultra Short-Term Notes Issued by Sinopharm**


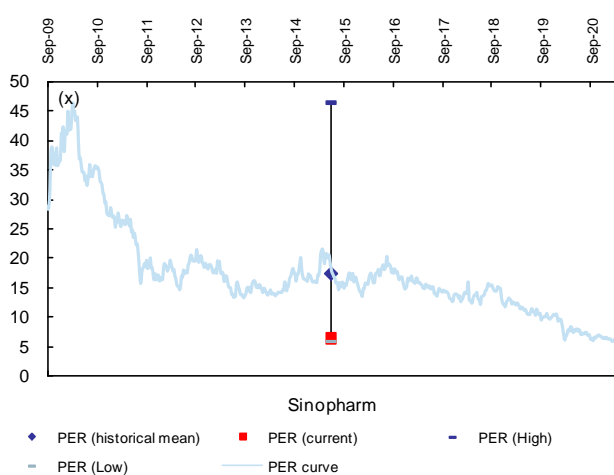
Source: the Company, Guotai Junan International.

**Table-2: Key Earnings Adjustments for Sinopharm**

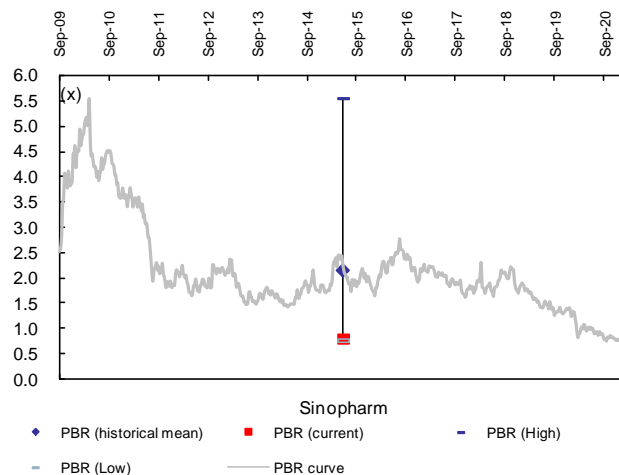
RMB million	New			Old		Change	
	2021F	2022F	2023F	2021F	2022F	2021F	2022F
Revenue	518,832	580,012	644,609	520,762	581,097	-0.4%	-0.2%
Gross profit	45,657	50,939	56,499	45,067	50,138	1.3%	1.6%
D&S expenses	(15,980)	(17,776)	(19,657)	(15,888)	(17,675)	0.6%	0.6%
Admin. expenses	(7,735)	(8,290)	(8,840)	(7,685)	(8,614)	0.6%	-3.8%
Financial costs - net	(3,460)	(3,766)	(3,891)	(3,173)	(3,538)	9.0%	6.4%
Operating profit	20,340	23,017	25,899	19,407	21,658	4.8%	6.3%
Shareholders' profit	8,176	9,301	10,608	7,911	8,817	3.3%	5.5%
EPS (RMB)	2.620	2.981	3.399	2.535	2.825	3.3%	5.5%
Gross margin	8.80%	8.78%	8.76%	8.65%	8.63%	0.1 pts	0.2 pts
Operating margin	3.92%	3.97%	4.02%	3.73%	3.73%	0.2 pts	0.2 pts
Net margin	1.58%	1.60%	1.65%	1.52%	1.52%	0.1 pts	0.1 pts
Cash Conversion Cycle (days)	55.4	55.1	53.5	49.5	48.4	5.9	6.6

Source: Guotai Junan International.

**Risks include** 1) a change in regional distribution policy for drugs and medical devices; 2) lower-than-expected industry average growth triggered by the new reimbursement rules of basic medical insurance; 3) higher-than-expected borrowing amount and interest rates; and 4) increasing competition caused by the entry of new rivals from the logistics industry.

**Figure-5: Forward PE Band of Sinopharm**


Source: Bloomberg, Guotai Junan International.

**Figure-6: Forward PB Band of Sinopharm**


Source: Bloomberg, Guotai Junan International.

**Table-3: Peers Group Comparison of Sinopharm**

Company	Stock Code	Currency	Last price	Market Cap HKD mil	PE (fiscal year)				PB (fiscal year)				PEG	ROE(%)	ROA(%)	EV/EBITDA			
					20A	21F	22F	23F	20A	21F	22F	23F		21F	21F	20A	21F	22F	23F
HK - Listed Pharmaceutical Distributors and Retailers																			
Sinopharm	1099 HK	HKD	19.40	60,541	7.5	6.5	6.0	4.6	0.9	0.8	0.7	0.6	0.6	13.2	3.7	6.9	5.9	5.8	5.1
China Resources Pharma	3320 HK	HKD	4.94	31,036	9.5	8.0	7.3	7.0	0.7	0.6	0.6	0.6	0.6	8.4	2.9	5.5	6.7	6.1	n.a.
Shanghai Pharma-H	2607 HK	HKD	15.38	59,250	8.7	7.3	6.6	6.1	0.8	0.7	0.7	0.7	0.5	11.0	3.7	6.6	7.5	7.2	5.7
Simple Average					8.5	7.2	6.7	5.9	0.8	0.7	0.7	0.6	0.5	10.8	3.4	6.3	6.7	6.4	5.4
Weighted Average					8.3	7.1	6.5	5.7	0.8	0.8	0.7	0.6	0.5	11.3	3.5	6.5	6.7	6.4	5.4
China - Listed Pharmaceutical Distributors and Retailers																			
Shanghai Pharma-A	601607 CH	CNY	19.83	59,250	12.6	11.1	9.9	9.1	1.2	1.2	1.1	1.0	0.9	10.9	3.5	6.6	7.1	6.7	5.9
Huadong Medicine	000963 CH	CNY	38.80	80,321	22.8	20.6	17.4	n.a.	4.6	3.9	3.3	n.a.	1.5	19.3	13.1	17.7	14.9	12.1	n.a.
Jointown Pharma	600998 CH	CNY	18.04	39,992	11.5	11.7	10.1	n.a.	1.5	1.4	1.2	n.a.	1.8	12.1	3.1	n.a.	n.a.	n.a.	n.a.
China National Med	600511 CH	CNY	33.82	30,189	18.5	n.a.	n.a.	n.a.	2.2	1.9	1.7	n.a.	n.a.	13.8	5.4	18.9	n.a.	n.a.	n.a.
Realcan Pharma	002589 CH	CNY	4.56	8,118	21.7	7.1	9.3	n.a.	0.9	n.a.	n.a.	n.a.	0.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GX Liuzhou Pharma	603368 CH	CNY	22.60	9,691	11.5	8.7	7.3	n.a.	1.6	1.4	1.2	n.a.	0.3	17.0	5.9	7.2	6.2	5.2	n.a.
Nanjing Pharma	600713 CH	CNY	4.36	5,373	12.1	n.a.	n.a.	n.a.	1.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sinopharm Accord	000028 CH	CNY	42.16	19,857	12.9	11.2	9.9	n.a.	1.3	1.2	1.1	n.a.	0.8	10.8	3.7	n.a.	n.a.	n.a.	n.a.
Zhejiang Huatong	002758 CH	CNY	10.45	6,033	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zhejiang Zhenyuan	000705 CH	CNY	7.07	2,795	26.2	n.a.	n.a.	n.a.	1.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.4	n.a.	n.a.	n.a.
Beijing Tongrentang	600085 CH	CNY	30.06	48,773	40.0	36.0	32.5	n.a.	4.2	3.9	3.7	n.a.	3.3	11.3	5.1	13.9	15.1	13.7	n.a.
Tasly Pharma	600535 CH	CNY	13.35	23,891	18.8	16.0	14.4	n.a.	1.7	1.5	1.4	n.a.	1.1	10.5	n.a.	8.8	7.3	6.8	n.a.
YN Hongxiang Yixintang	002727 CH	CNY	47.29	33,355	34.3	29.0	23.7	19.2	4.8	4.4	3.8	3.1	1.4	15.4	10.1	19.0	20.3	17.2	13.3
Laobaixing Pharmacy	603883 CH	CNY	69.83	33,767	45.0	36.1	29.1	n.a.	7.0	6.1	5.2	n.a.	1.5	17.1	6.4	25.8	21.3	17.1	n.a.
China Meheco	600056 CH	CNY	13.88	17,546	12.4	10.6	9.3	n.a.	1.2	1.1	1.0	n.a.	0.7	10.3	3.7	n.a.	n.a.	n.a.	n.a.
Simple Average					21.4	18.0	15.7	14.1	2.5	2.5	2.2	2.0	1.2	13.5	6.0	14.6	13.2	11.3	9.6
Weighted Average					23.1	20.5	17.6	12.7	3.1	2.8	2.5	1.7	1.5	14.0	6.8	15.2	13.8	11.8	8.6
Global Pharmaceutical Distributers and retailers																			
Mckesson Corp	MCK US	USD	195.04	241,432	39.2	11.4	10.4	9.8	6.2	8.5	5.7	5.1	0.1	67.1	4.7	7.5	8.1	7.3	7.0
Cardinal Health Inc	CAH US	USD	60.75	138,746	n.a.	10.1	9.7	9.2	9.9	7.3	5.7	4.5	n.a.	86.6	3.9	8.0	7.1	6.5	5.9
Amerisourcebergen Corp	ABC US	USD	118.07	187,970	n.a.	13.8	12.2	11.3	(23.7)	36.7	12.0	8.0	n.a.	1,146.1	3.8	10.0	9.2	8.2	8.0
Henry Schein Inc	HSIC US	USD	69.24	76,610	24.5	18.6	17.2	15.4	2.9	2.3	2.1	2.0	1.0	14.0	6.4	13.5	11.4	10.6	9.9
Patterson Cos Inc	PDCO US	USD	31.95	24,012	n.a.	15.5	15.2	14.4	3.7	2.2	2.1	1.7	n.a.	19.5	7.1	18.6	11.4	10.4	9.5
WBA	WBA US	USD	54.90	368,914	105.6	11.3	10.6	10.0	2.3	2.1	1.8	1.6	0.1	17.9	4.4	12.0	9.1	8.4	8.0
Celesio	CLS1 GR	EUR	26.00	48,255	n.a.	n.a.	n.a.	n.a.	3.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19.1	n.a.	n.a.	n.a.
Medipal Holdings Corp	7459 JP	JPY	2,226.00	38,205	12.7	21.6	16.4	16.1	0.9	0.9	0.8	0.8	n.a.	4.2	2.2	5.2	9.2	7.1	6.4
Alfresa Holdings Corp	2784 JP	JPY	2,180.00	35,961	11.5	22.6	18.3	18.0	1.0	1.0	0.9	0.9	n.a.	4.3	1.9	3.8	10.3	7.8	7.1
Suzuken Co Ltd	9987 JP	JPY	4,340.00	31,481	14.0	43.9	23.9	21.8	0.9	0.9	0.9	0.9	n.a.	2.2	1.2	3.3	12.7	8.0	6.7
Australian Pharma	API AU	AUD	1.32	3,825	n.a.	15.5	13.3	12.6	1.4	1.4	1.3	1.3	n.a.	8.8	3.2	8.5	4.9	4.7	4.2
Simple Average					34.6	18.4	14.7	13.9	0.8	6.3	3.3	2.7	0.4	137.1	3.9	10.0	9.4	7.9	7.3
Weighted Average					65.1	13.8	12.1	11.3	(0.1)	9.7	4.7	3.7	0.2	219.8	4.2	10.1	9.0	8.0	7.6

Source: Bloomberg, Guotai Junan International.

Note: PEG is calculated by 2021PE ÷ 2020-2022 CAGR × 100.

**Financial Statements and Ratios**

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2019A	2020A	2021F	2022F	2023F	Year end 31 Dec (RMB m)	2019A	2020A	2021F	2022F	2023F
Total Revenue	425,273	456,415	518,832	580,012	644,609	PPE	11,713	12,068	13,490	15,035	16,659
Cost of Sales	(387,741)	(416,091)	(473,175)	(529,073)	(588,110)	Others	28,176	31,559	34,526	37,952	41,548
Gross Profit	37,531	40,323	45,657	50,939	56,499	Total Non-current Assets	39,889	43,627	48,016	52,987	58,208
Other Income	441	652	742	829	922	Cash & Cash Equivalents	39,192	50,178	57,072	66,701	77,353
D&S Expenses	(12,557)	(14,142)	(15,980)	(17,776)	(19,657)	Bank Deposits and Restricted Cash	10,654	10,030	12,492	13,968	15,526
G&A Expenses	(6,912)	(7,050)	(7,735)	(8,290)	(8,840)	Inventories	42,594	47,085	54,415	60,541	66,961
Impairment and Other Losses	(2,367)	(2,024)	(2,344)	(2,686)	(3,026)	Trade Receivables	122,267	145,337	161,821	178,380	195,442
Operating Profit	16,137	17,760	20,340	23,017	25,899	Others	15,293	14,980	17,181	19,200	21,332
Other Gain-Net	53	139	156	174	193	Total Current Assets	230,000	267,610	302,981	338,790	376,614
Other Expenses						Total Assets	269,888	311,237	350,997	391,777	434,822
Net Finance Costs	(3,143)	(2,947)	(3,460)	(3,766)	(3,891)	Short-term Borrowings	42,477	54,959	63,129	62,940	61,685
Share of Profit of Associates & JV	887	987	1,082	1,179	1,285	Trade Payables	100,334	112,632	125,391	140,204	155,849
Profit Before Tax	13,760	15,598	17,730	20,171	23,005	Others	35,614	36,386	41,275	46,124	51,258
Income Tax	(3,140)	(3,501)	(3,989)	(4,538)	(5,176)	Total Current Liabilities	178,425	203,977	229,795	249,269	268,792
profit After Tax	10,620	12,097	13,741	15,632	17,829	Long-term Borrowings	8,373	8,919	7,014	10,674	14,258
Non-controlling Interest	(4,368)	(4,910)	(5,565)	(6,331)	(7,221)	Others	6,152	8,394	9,705	10,906	12,176
Shareholders' Profit / Loss	6,253	7,187	8,176	9,301	10,608	Total Non-current Liabilities	14,524	17,312	16,720	21,580	26,434
Basic EPS	2.105	2.310	2.620	2.981	3.399	Total Liabilities	192,949	221,289	246,515	270,849	295,227
Dividend	1,872	2,153	2,453	2,790	3,182	Total Shareholders' Equity	47,422	56,359	62,381	69,230	77,047
						Minority Interest	29,517	33,588	42,101	51,698	62,548
						Total Equity	76,939	89,947	104,482	120,928	139,596

Cash Flow Statement					
Year end 31 Dec (RMB m)	2019A	2020A	2021F	2022F	2023F
PBT	13,760	15,598	17,730	20,171	23,005
D&A	3,114	3,597	3,749	4,042	4,470
Other Adjustments	4,880	10,634	2,367	2,575	2,594
Changes in WC	464	(14,959)	(9,911)	(6,842)	(6,851)
IncomeTax Paid	(3,441)	(3,716)	(4,432)	(5,043)	(5,751)
Cash from Operating Activities	18,777	11,155	9,502	14,902	17,466
Capital Expenditure	(3,854)	(4,642)	(4,323)	(4,878)	(5,190)
Others	(2,942)	2,440	(1,321)	(282)	(203)
Cash from Investing Activities	(6,796)	(2,203)	(5,644)	(5,160)	(5,394)
Issues of Shares	0	3,567	0	0	0
Debt Paid/Raised	(4,299)	34,846,956	6,265	3,471	2,330
Dividends Paid	(1,753)	(1,872)	(2,153)	(2,453)	(2,790)
Others	(7,032)	(34,846,625)	(1,076)	(1,130)	(960)
Cash from Financing Activities	(13,085)	2,026	3,036	(112)	(1,421)
Net Changes in Cash	(1,103)	10,978	6,893	9,630	10,652
Cash at Beg of Year	40,299	39,192	50,178	57,072	66,701
FX Adjustments	(4)	9	0	0	0
Cash at End of Year	39,192	50,178	57,072	66,701	77,353

Financial Ratios					
	2019A	2020A	2021F	2022F	2023F
Margins and Efficiency					
Gross Margin	8.8%	8.8%	8.8%	8.8%	8.8%
EBITDA Margin	4.8%	5.0%	5.0%	5.0%	5.0%
Operating Margin	3.8%	3.9%	3.9%	4.0%	4.0%
Net Profit Margin	1.5%	1.6%	1.6%	1.6%	1.6%
Dividend Payout Ratio	29.9%	30.0%	30.0%	30.0%	30.0%
DSI	36.7	39.3	39.1	39.7	39.6
DSO	98.1	107.0	108.0	107.0	105.8
DPO	86.6	93.4	91.8	91.6	91.9
Growth and Profitability					
Revenue	23.4%	7.3%	13.7%	11.8%	11.1%
EBITDA	21.6%	11.1%	12.7%	12.3%	12.2%
Operating Profit	14.7%	10.1%	14.5%	13.2%	12.5%
Net Profit	7.1%	14.9%	13.8%	13.8%	14.1%
ROE	13.9%	13.9%	13.8%	14.1%	14.5%
ROA	4.2%	4.2%	4.1%	4.2%	4.3%
ROIC	17.8%	16.7%	17.0%	17.7%	18.4%
Financial Ratios					
Net Debt/Equity	24.6%	24.3%	21.0%	10.0%	net cash
Liabilities/Assets	71.5%	71.1%	70.2%	69.1%	67.9%
Current Ratio	1.3x	1.3x	1.3x	1.4x	1.4x
Interest Coverage Ratio	5.1x	5.6x	5.5x	5.6x	6.0x

Source: the Company, Guotai Junan International.



### Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

### Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.  
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793  
 Website: www.gtja.com.hk