

Company Report: Haitian International (01882 HK)

公司报告: 海天国际 (01882 HK)

David Feng 冯廷帅

(852) 2509 2113

david.feng@gtjas.com.hk

6 January 2021

Uptrend in Demand Is Expected to Last in 2021, "Accumulate"

需求上行周期有望在2021年延续, “收集”

- **Global manufacturing boom will continue in 2021.** In December 2020, global manufacturing PMI stayed at a 2-year high of 53.8 given an all-round boom in major economies. We believe that the recent slowdown in domestic manufacturing rebound was mainly due to shortage of power and fuel rather than demand issues.
- **Demand for large PIMMs is expected to further rebound under the support of a robust automobile sector.** Given our bullish outlook on the automobile sector in 2021, we believe that demand for large PIMMs will embrace a stronger rebound in 2021. The surge in steel price may also promote broader applications of plastic parts and components in vehicles and other products.
- **We have fine-tuned our EPS forecasts for 2020/ 2021/ 2022 by -1.1%/ +3.5%/ +3.7%, respectively.** We have raised both ASP and sales volume assumptions to reflect brighter demand outlook of large PIMMs. We have also lifted unit cost assumptions on potential negative effect of surge in steel price.
- **Raise TP to HK\$29.80 and maintain "Accumulate".** We expect that the booming global manufacturing will drive demand for PIMMs and rebound of large PIMMs will outperform. We believe that the Company will fully benefit from the overall uptrend of demand with its updated 3rd gen models. Our latest TP represents 18.6x/ 17.1x/ 15.9x 2020-2022 PE ratio and 2.5x 2021 PB ratio.
- **全球制造业的高景气将在 2021 年延续。**2020 年 12 月, 在主要经济体全面景气的情况下, 全球制造业 PMI 保持在 53.8 的两年高位。我们认为近期国内制造业反弹的放缓主要是由于电力和燃料的短缺而非需求问题。
- **在汽车行业的强劲支撑下, 大型注塑机需求有望进一步回升。**鉴于我们看好 2021 年汽车行业的前景, 我们认为大型注塑机的需求将在 2021 年迎来更强劲的反弹。钢价的飙升也或将促进塑料零部件在汽车和其他产品中更广泛的应用。
- **我们将 2020/ 2021/ 2022 年的每股盈利预测分别微调-1.1%/ +3.5%/ +3.7%。**我们提高了销售均价和销量的假设, 以反映大型机更光明的需求前景。我们还基于钢价大涨的潜在负面影响, 上调了单位成本假设。
- **上调目标价至 29.80 港元并维持“收集”。**我们预计全球制造业的繁荣将拉动注塑机需求, 而大型注塑机的反弹将较为突出。我们认为公司凭借其更新换代后的三代机将充分受益于整体需求的上升趋势。我们最新的目标价对应 18.6 倍/ 17.1 倍/ 15.9 倍的 2020-2022 年市盈率 and 2.5 倍的 2021 年市净率。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$29.80

Revised from 原目标价:

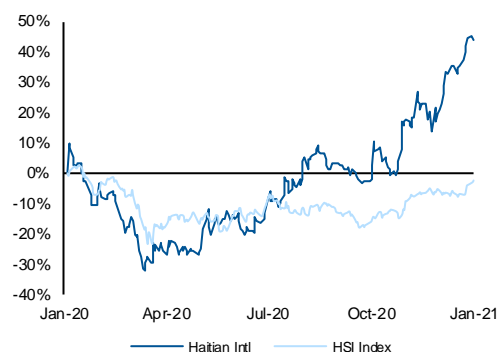
HK\$26.40

Share price 股价:

HK\$26.650

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 %	20.3	48.1	37.8
Rel. % to HS Index 相对恒指变动 %	17.3	31.7	40.6
Avg. Share price (HK\$) 平均股价 (港元)	24.9	22.1	18.0

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)	(%)	(%)
2018A	10,851	1,917	1.201	(4.5)	19.5	7.469	3.1	0.384	1.6	17.1
2019A	9,810	1,751	1.097	(8.7)	21.7	8.220	2.9	0.360	1.5	14.0
2020F	11,145	2,199	1.378	25.6	16.4	9.212	2.4	0.455	2.0	15.8
2021F	12,135	2,395	1.501	8.9	15.0	10.238	2.2	0.495	2.2	15.4
2022F	12,775	2,574	1.613	7.5	14.0	11.339	2.0	0.532	2.4	14.9

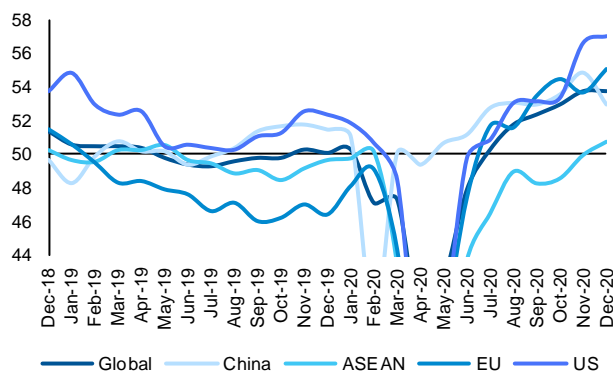
Shares in issue (m) 总股数 (m)	1,596.0	Major shareholder 大股东	Sky Treasure Capital Limited 27.2%
Market cap. (HK\$ m) 市值 (HK\$ m)	42,533.4	Free float (%) 自由流通比率 (%)	40.6
3 month average vol. 3 个月平均成交股数 ('000)	2,077.6	FY21 Net gearing (%) FY21 净负债/股东资金 (%)	Net cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	27.500 / 12.080	FY21 Est. NAV (HK\$) FY21 每股估值 (港元)	33.1

Source: the Company, Guotai Junan International.

Global manufacturing boom will continue in 2021. In December 2020, global manufacturing PMI stayed at a 2-year high of 53.8 given an all-round boom in major economies including ASEAN, which had been continuously bearish in previous months. China's Markit manufacturing PMI in December fell by 1.9 to 53.0 and missed market expectation, which we believe was mainly due to power shortage. Both coal price and gas price have surged during the cold winter, and as residential demand was put at first priority, some industrial manufacturers were short of electricity and fuel supply. Thus, we believe that the recent slowdown of domestic manufacturing rebound was more likely due to supply issues rather than demand issues. We maintain the expectation that the global manufacturing boom will continue in 2021 thanks to solid ongoing demand recovery.

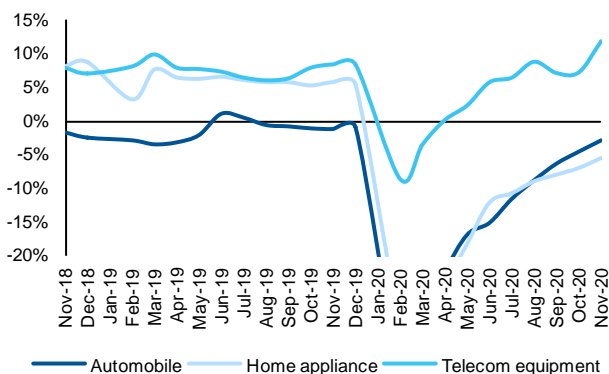
Demand for large PIMMs is expected to further rebound under the support of a robust automobile sector. In 2H20, we believe that demand for mid-to-large plastic injection molding machines (PIMM) has benefited from steady recovery of both the automobile sector and home appliances sector in China. As the home appliances sector has recovered stronger than the automobile sector in terms of industry value added and fixed asset investment, we believe that demand for medium PIMMs outperformed that for large PIMMs in 2H20. However, given our bullish outlook on the automobile sector in 2021, especially on the boom of new energy vehicles with higher plastic consumption per vehicle, we believe that demand for large PIMMs will embrace a stronger rebound in 2021. The surge in steel price may also promote broader applications of plastic parts and components in vehicles and other products.

Figure-1: Manufacturing PMIs in Haitian's Major Markets



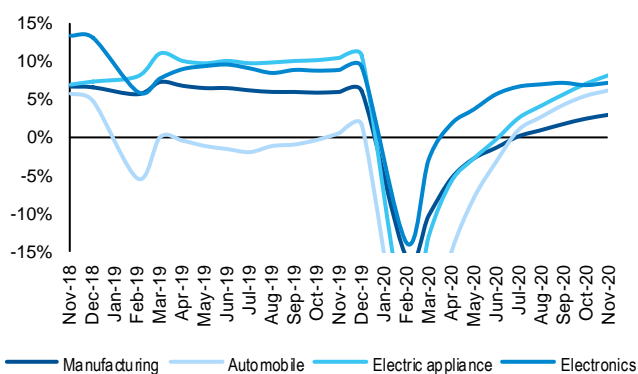
Source: IHS Markit, Guotai Junan International.

Figure-2: Retail Sales YTD Growth of Major Downstream Enterprises (above Designated Size) in China



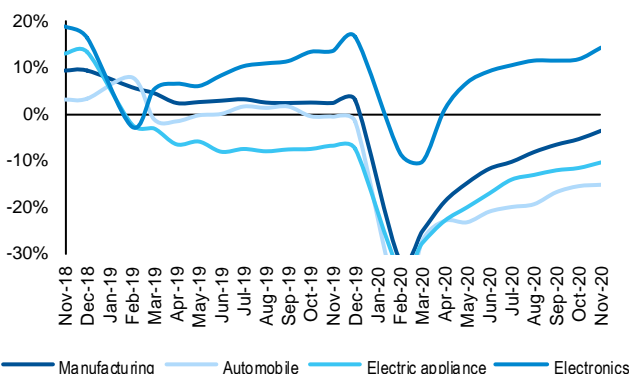
Source: National Bureau of Statistics of China, Guotai Junan International.

Figure-3: Industry Value Added YTD Growth of Major Downstream Sectors in China



Source: National Bureau of Statistics of China, Guotai Junan International.

Figure-4: Fixed Asset Investment YTD Growth of Major Downstream Sectors in China



Source: National Bureau of Statistics of China, Guotai Junan International.

EARNINGS FORECASTS

We have fine-tuned our EPS forecasts for 2020/ 2021/ 2022 by -1.1%/ +3.5%/ +3.7%, respectively. Main revisions are as follows:

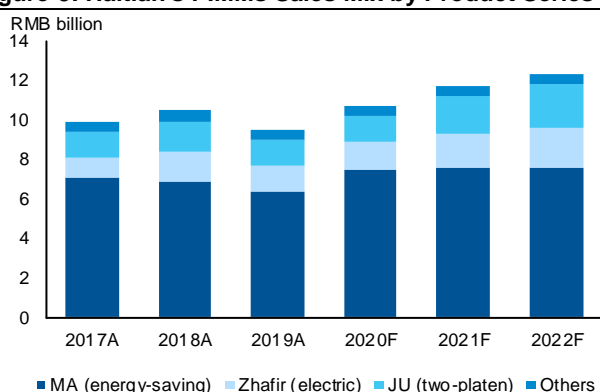
- We have raised both ASP and sales volume assumptions to reflect brighter demand outlook of large PIMMs.
- We have lifted our unit cost assumptions on potential negative effect of surge in steel price.

Table-1: Changes in Key Assumptions for Financial Forecasts

	New			Old			Change		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
PIMMs									
Sales volume (units)	38,230	38,415	38,580	38,205	38,276	38,399	+0.1%	+0.4%	+0.5%
ASP (RMB '000)	282	305	320	281	299	311	+0.3%	+2.2%	+2.7%
Parts									
Sales (RMB mn)	369	402	435	364	396	427	+1.4%	+1.6%	+1.8%
Key financial data (RMB mn)									
Revenue	11,145	12,135	12,775	11,100	11,830	12,384	+0.4%	+2.6%	+3.2%
Gross profit	3,694	4,073	4,343	3,726	3,991	4,264	-0.9%	+2.0%	+1.9%
Shareholders' profit	2,199	2,395	2,574	2,224	2,329	2,510	-1.1%	+2.8%	+2.6%
EPS (RMB)	1.378	1.501	1.613	1.394	1.459	1.572	-1.1%	+2.8%	+2.6%

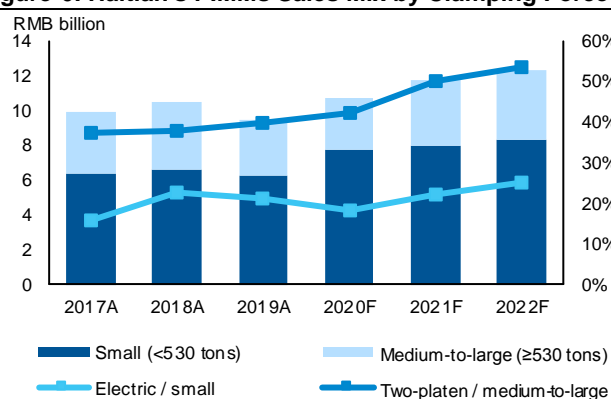
Source: Guotai Junan International.

Figure-5: Haitian's PIMMs Sales Mix by Product Series



Source: the Company, Guotai Junan International.

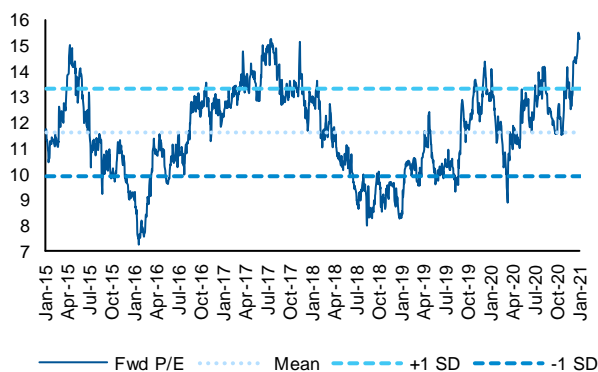
Figure-6: Haitian's PIMMs Sales Mix by Clamping Force



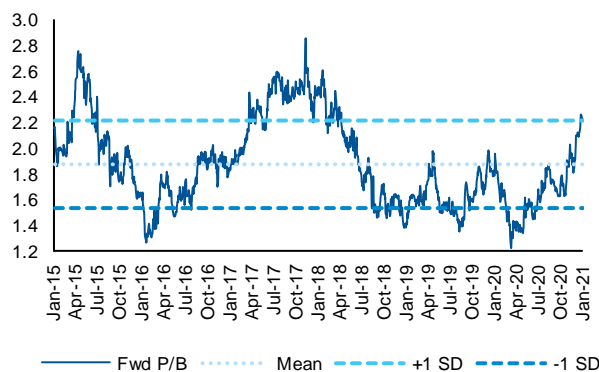
Source: the Company, Guotai Junan International.

VALUATION

Raise target price to HK\$29.80 and maintain "Accumulate". Fair value derived from our DCF model is HK\$33.12 per share. We expect that booming global manufacturing will drive demand for PIMMs and rebound of large PIMMs will outperform. We believe that the Company will fully benefit from the overall uptrend of demand with its updated 3rd gen models. Our target price of HK\$29.80 represents 18.6x/ 17.1x/ 15.9x 2020-2022 PE ratio and 2.5x 2021 PB ratio. We maintain our investment rating of "Accumulate".

Figure-7: Haitian's 12-Month Forward PE Ratio


Source: Bloomberg, Guotai Junan International.

Figure-8: Haitian's 12-Month Forward PB Ratio


Source: Bloomberg, Guotai Junan International.

Table-2: Peers Comparison

Company	Stock Code	Currency	Last Price	Market Cap (HKD mn)	PE (fiscal year)				PB (fiscal year)				ROE(%)	D/Y(%)	EV/EBITD.
					19A	20F	21F	22F	19A	20F	21F	22F	20F	20F	20F
Hong Kong Listed Peers															
Haitian International Hldgs	1882 HK	HKD	26.650	42,533	21.4	17.3	15.4	14.2	2.9	2.5	2.3	2.1	14.6	1.9	12.5
Chen Hsong Holdings	57 HK	HKD	2.310	1,457	16.2	15.5	n.a.	n.a.	0.5	0.5	n.a.	n.a.	3.5	4.1	0.9
L.K. Technology Holdings Ltd	558 HK	HKD	1.860	2,216	11.6	620.0*	n.a.	n.a.	1.0	1.1	n.a.	n.a.	0.2	0.0	5.2
Cosmos Machinery	118 HK	HKD	0.510	440	27.9	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TK Group Holdings Ltd	2283 HK	HKD	2.500	2,083	6.9	9.6	6.6	5.4	1.7	1.5	1.3	1.2	17.1	4.4	n.a.
Johnson Electric Holdings	179 HK	HKD	19.500	17,602	7.7	n.a.	10.6	8.5	0.9	1.2	1.1	1.0	-22.9	1.4	2.7
Impro Precision Industries Ltd	1286 HK	HKD	2.600	4,897	8.2	15.3	11.8	9.0	1.2	1.2	1.1	1.0	7.8	1.5	n.a.
Precision Tsugami China Corp	1651 HK	HKD	7.500	2,857	6.7	16.3	9.1	7.2	1.7	1.8	1.5	1.3	10.8	5.4	7.1
CIMC Enric Holdings Ltd	3899 HK	HKD	4.920	9,892	9.3	12.3	9.5	8.0	1.2	1.1	1.0	0.9	9.2	3.4	6.1
AviChina Industry & Tech-H	2357 HK	HKD	6.840	52,746	27.4	23.2	21.2	19.9	2.1	1.9	1.7	1.5	8.2	0.7	11.9
Simple Average					14.3	15.6	12.0	10.3	1.4	1.4	1.4	1.3	5.4	2.5	6.6
Weighted Average					19.9	18.9	16.2	14.8	2.0	1.9	1.7	1.6	6.2	1.6	10.0
A-share Peers															
Guangdong Yizumi Precision-A	300415 CH	CNY	14.220	7,430	31.6	22.1	17.0	14.6	4.8	4.1	3.5	3.0	18.5	1.6	n.a.
KraussMaffei Co Ltd-A	600579 CH	CNY	4.800	4,228	n.a.	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tederic Machinery Co Ltd-A	603289 CH	CNY	8.050	2,576	18.7	n.a.	n.a.	n.a.	2.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ningbo Haitian Precision Machinery-A	601882 CH	CNY	12.290	7,696	81.9	45.5	32.3	n.a.	5.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shenzhen Changhong Technology-A	300151 CH	CNY	29.180	17,589	243.2	n.a.	n.a.	n.a.	16.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ningbo Techmation Co Ltd-A	603015 CH	CNY	6.170	2,992	77.1	n.a.	n.a.	n.a.	2.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Guangdong Jinming Machinery-A	300281 CH	CNY	6.010	3,020	100.2	n.a.	n.a.	n.a.	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ningbo Henghe Mould Co Ltd-A	300539 CH	CNY	7.470	1,989	186.8	n.a.	n.a.	n.a.	3.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average					105.6	33.8	24.7	14.6	4.6	4.1	3.5	3.0	18.5	1.6	n.a.
Weighted Average					140.8	34.0	24.8	14.6	8.3	4.1	3.5	3.0	18.5	1.6	n.a.
Global Peers															
Sumitomo Heavy Industries	6302 JP	JPY	2,556.000	23,680	6.9	9.5	15.6	11.4	0.7	0.7	0.7	0.6	7.1	4.7	3.6
Nissei Plastic Industrial Co	6293 JP	JPY	892.000	1,498	6.9	27.6	n.a.	n.a.	0.5	0.5	n.a.	n.a.	1.9	2.2	9.3
Toyo Machinery & Metal Co	6210 JP	JPY	406.000	634	5.7	9.4	n.a.	n.a.	0.5	0.5	n.a.	n.a.	5.1	3.7	2.2
Fuji Seiki Co Ltd	6400 JP	JPY	1,355.000	925	36.3	n.a.	n.a.	n.a.	6.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Altech Co Ltd	9972 JP	JPY	301.000	439	10.0	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Syncmold Enterprise Corp	1582 TT	TWD	87.100	2,984	11.4	10.7	9.5	n.a.	2.0	n.a.	n.a.	n.a.	16.6	n.a.	n.a.
Fu Chun Shin Machinery Manufacture	6603 TT	TWD	12.900	531	129.0	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Woojin Plaimm Co Ltd	049800 KS	KRW	5,790.000	412	n.a.	n.a.	n.a.	n.a.	1.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average					29.5	14.3	12.6	11.4	1.6	0.6	0.7	0.6	7.7	3.5	5.0
Weighted Average					10.3	10.6	15.0	11.4	1.0	0.7	0.7	0.6	7.8	4.5	3.9

Source: Bloomberg, Guotai Junan International.

Note: * Excluded as outliers from average calculation.

6 January 2021

Haitian International 海天国际 (01882 HK)

Company Report

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