

# Trigiant (1300.HK)



Phillip Securities (Hong Kong) Ltd  
Phillip Securities Research

“Buy” rating for underestimated value

Bloomberg | Reuters | POEMS

1300.HK | 1300.HK | 1300.HK

Industry: Telecom Equipment

2013-10-15

## Interim report review

Rating: Buy CP: HK\$3.40 TP: HK\$4.00

### Company Overview

Founded in 2007, Trigiant is a leading domestic vendor engaged in production of RF coaxial cable, new-type electronic components, and other accessories. It ranks the first place in sales volume of RF cable products in 2012 with the market share of 25%. So far, the company's products have been extensively applied in telecom operators, service suppliers, and main equipment manufacturers' transmission systems. In addition to selling products to its main customers like domestic three major telecom operators and telecom equipment vendors (including ZTE and Huawei), the company also exports its products to overseas market.

### Investment Summary

Thanks to growth of revenue and reduction of expenditure, Trigiant achieved net profit of RMB 165 million in the first half of 2013, up 29.3% from the same period a year earlier.

The company boasts prominent competitive edge in R & D and sales, and such competitive edge will remain in the future, which will help it consolidate its leading market shares. Besides, the company's expansion in productivity will bolster its growth.

Information consumption has become one of the main economic stimuli advocated by the government, and the upcoming issuance of 4G license will bring the company considerable demands. What's more, in the second half of 2013, operators' capital expenditure is expected to increase at an accelerated rate.

Share placement will offer sufficient cash support for the company's operation and improve its debt ratio. It is roughly estimated that the company's asset-liability ratio will decline by about five percentage points from that in 1H13.

The company's stock is traded less than 8X 2013EPS, which does not agree with its growth. We temporarily fix the company stock's target price at HK\$ 4, about 9.2X 2013EPS and 18% premium than current price. We grant it “Buy” rating.

### Trigiant

<b>Rating</b>	<b>1.00</b>	<b>Buy</b>
- Previous Rating	-	Not Rated
<b>Target Price (HKD)</b>	<b>4</b>	
- Previous Target Price (HKD)	-	
Closing Price (HKD)	3.40	
Expected Capital Gains (%)	17.6%	
Expected Dividend Yield (%)	4.2%	
<b>Expected Total Return (%)</b>	<b>21.9%</b>	
Raw Beta (Past 2yrs weekly data)	-	
Market Cap. (HKD bn)	3,400	
Enterprise Value (HKD mn)	3,411	
52 w week range (HKD)	1.4 - 3.65	
Closing Price in 52 w week range		



Key Financial Summary	2011	2012	2013F	2014F
Revenue (RMB mn)	1823	2231	2857	3547
Net Profit, adj. (RMB mn)	207	252	357	429
EPS, adj. (RMB)	20.68	0.26	0.35	0.38
P/E (X),adj.	-	10.2	7.8	7.0
BVPS (RMB)	-	1.00	1.38	1.66
P/B (X)	-	2.7	2.0	1.6
DPS (RMB)	0.00	0.08	0.11	0.13
Div. Yield (%)	0.0%	3.0%	4.2%	4.7%

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

### Valuation Method

P/E (X)

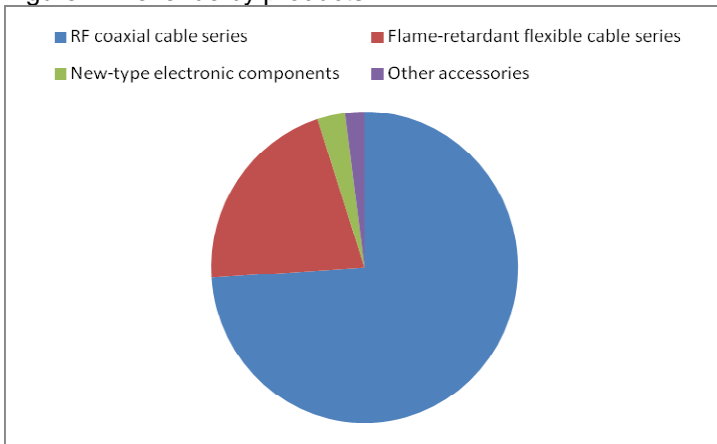
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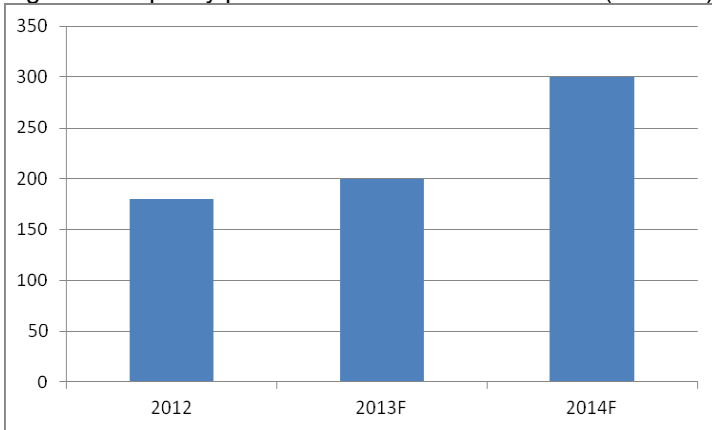
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Figure 1: Revenue by products



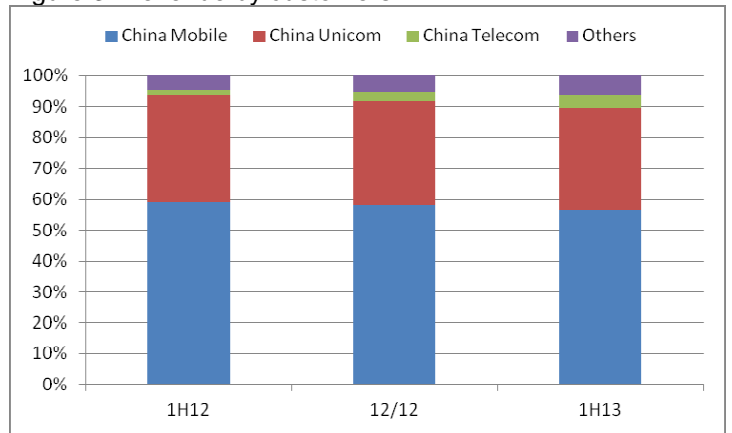
Sources: Company reports, Phillip Securities

Figure 2: Capacity plan for RF coaxial cable series ('000 km)



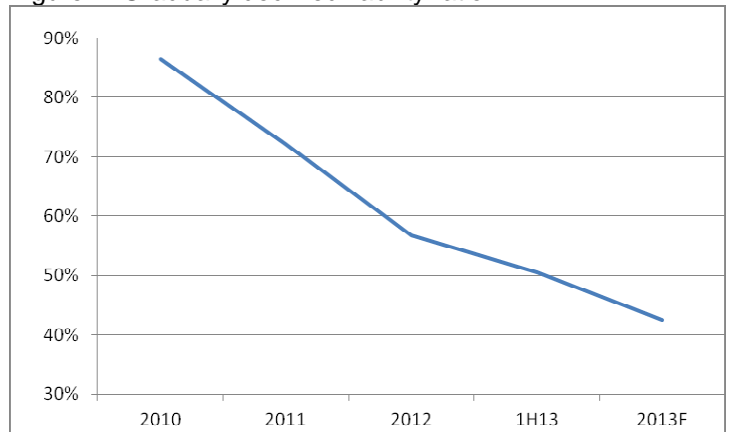
Sources: Company reports, Phillip Securities

Figure 3: Revenue by customers



Sources: Company reports, Phillip Securities

Figure 4: Gradually declined liability ratio



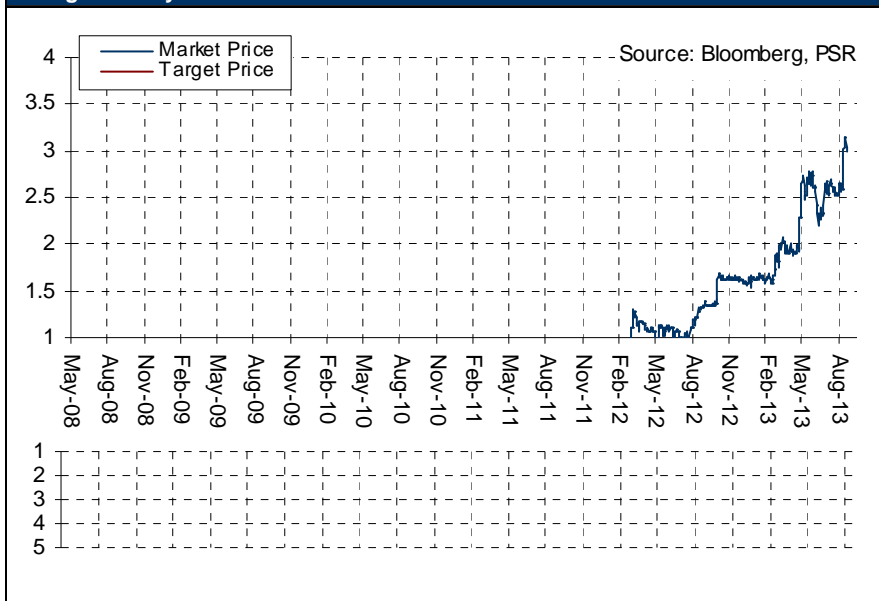
Sources: Company reports, Phillip Securities

## Financial Status

FYE	2011	2012	2013F	2014F
<b>Valuation Ratios</b>				
Price Earnings	-	10.22	7.78	7.02
Price to Book	-	2.69	1.95	1.63
Dividend Yield	0.0%	3.0%	4.2%	4.7%
<b>Per share data(RMB)</b>				
EPS Adjusted	20.68	0.26	0.35	0.38
Book Value Per Share	-	1.00	1.38	1.66
Dividends Per Share	-	0.08	0.11	0.13
<b>Growth &amp; Margin</b>				
Revenue growth	29.7%	22.4%	28.1%	24.2%
Gross Profit growth	37.6%	31.3%	27.8%	23.6%
Net Profit growth	-	22.0%	41.5%	20.2%
Gross Margin	21.8%	23.4%	23.4%	23.3%
Net Profit Margin	11.3%	11.3%	12.5%	12.1%
Dividend Payout Ratio %	0.0%	31.7%	33.0%	33.0%
<b>Key Ratios</b>				
Return on Assets	11.0%	11.2%	14.2%	14.8%
Return on Equity	49.9%	31.2%	28.0%	25.3%
Tax ratio	16.2%	16.7%	18.3%	18.3%
Liability ratio	72.1%	56.7%	42.9%	40.1%
<b>Income Statement(RMB:mn)</b>				
<b>Revenue</b>	1,823	2,231	2,857	3,547
- Cost of Goods Sold	1,425	1,709	2,190	2,722
<b>Gross Income</b>	397	522	667	825
- Selling, General & Admin Expenses	107	153	169	209
<b>Operating Income</b>	292	374	504	620
- Interest Expense	57	80	55	75
Pretax Income	247	303	437	524
- Income Tax Expense	40	51	80	96
Net Profit	207	252	357	429

Source: Company reports, Phillip Securities

**Ratings History**



**PSR Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

**Remarks**

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

## PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm$ 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

## PHILLIP RESEARCH STOCK SELECTION SYSTEMS

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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