

Report Review of June. 2021

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

Air & Automobiles (Zhang Jing),
Consumer & Property Management (Timothy Chong)
TMT (Samuel Sung)
TMT & Education (Research Department)

Automobile & Air (ZhangJing)

This month I released 3 updated reports of Tuopu (601689.CH), Wanfeng (002085.CH) and Fuyao (3606.HK) which got success by their unique Competitive edge. Among them, we highly recommend Tuopu.

In 2020, Tuopu Group reported operating revenue of RMB6.51 billion, up by 21.5% yoy; net profit attributable to the parent company was RMB630 million, up by 37.7% yoy; earnings per share was RMB0.60. In the first quarter of 2021, benefiting from the strong industry rebound and the continued sales volume of Tesla models, Tuopu Group reported operating revenue of RMB2,426 million, up by 100.8% yoy. Net profit attributable to the parent company was RMB246 million, up by 116.4% yoy. The net profit was in the upper limit of the interval of the Company's previous result forecast (RMB220 million to RMB260 million).

In recent years, on the basis of the original business of shock absorbers and interior functional parts, the Company has proactively arranged the module of the lightweight chassis system and the automotive electronics business as the future "2+3" strategic development projects, in order to adapt to the trend of electrification, intellectualization and lightweight of vehicles.

Relying on its excellent vehicle synchronisation R&D capabilities, strategic forward-looking arrangement and other comprehensive factors, as well as early binding of strong downstream customers, the Company has begun to enter the order harvesting period and continued to steadily expand its market share. The Tier 0.5 strategy pioneered by the Company has achieved demonstrative success. The matching amount of single vehicles was relatively high. New orders have increased significantly compared with previous years, which provides guarantee for the Company's rapid and sustainable development in the future.

To meet the demand for orders, the Company accelerated the construction of Xiangtan base, Ningbo Hangzhou Bay New Area base Phase II and Phase III, and Ningbo Yinzhou District production base. In 2021, the Company will complete the construction of 1,500 mu of factory under construction and start the planning of the next 1,500 mu of industrial park.

In addition, in 2020, the Company's business was extended to the new energy vehicle thermal management relying on the technical homology of electronic control and related precision manufacturing capabilities in the IBS process of the automotive electronics business in the previous period. At present, the Company has successfully developed products such as heat pump air conditioners, electronic expansion valves, electronic water valves, electronic water pumps, and gas-liquid separators. In the future, the Company is expected to become an overall solution provider in the new energy vehicle thermal management. The overall matching value of single vehicles is as high as RMB6,000 to RMB 9,000. We expect that the Company will continue to benefit from the trend towards electrification and intellectualization of vehicles and enter a stage of rapid growth.

Consumer & Property Management (Timothy Chong)

I have released two update reports covering NISSIN FOOD (1475.HK) and Topsport Int'l (6110.HK) this month. Among them, we highly recommend Topsport Int'l (6110.HK).

Topsports INT'L announced on May 24 the company's annual results for the year ended February 28, 2021. The company's annual revenue was approximately CNY 36.01 billion, an increase of 6.9% Yoy (2020: CNY 33.69 billion), which was slightly lower than our previous expectation (previous expectation: CNY 37.37 billion), it was approximately 3.6% lower. The company's cost control during the period was adequate, and its OPM improved by 1.3 pct's Yoy, offsetting the slower revenue growth. The adjusted net profit for the year was CNY 2.77 billion, an increase of 16.4%, which was in line with our expectations (previously expected: CNY: 2.767 Billion). The company proposes to distribute 12 cents per share for the final period. Together with the interim dividend, the dividend payout ratio is approximately 54% (excluding special dividends). The annual dividend (including one special dividend) totals 64 cents per share.

During the epidemic, the company continued to expand its online membership and provided diversified membership activities and services through global consumer reach. As of February 28, 2020, the company's cumulative registered members increased by 3.6 million quarterly to 40.9 million. In-store retail sales contributed by Q1/Q2/Q3/Q4 members accounted for 96.7%/97.3%/97.1%/95.3% of the total. The Topsports sports app has been online for more than a year. As of February 28, the number of users has exceeded 2.7 million to build a user community and increase customer stickiness. In the second half of the fiscal year, an online community "Tao Ker" will be added for members to share here. Exchange experiences and create an online sports lifestyle community. In the future, the company will focus on online and offline integration to achieve seamless interaction with consumers in physical and virtual scenarios, including increasing the coverage of store-based social programs and opening mobile cashier tools.

TMT (Samuel Sung)

This month, I have released 1 research report, Sunny Optical (2382.HK).

In 2020, the company successfully reached the top in the handset lens set industry, becoming the highest shipment volume in the world, surpassing its largest competitor in the optical segment business, Taiwan Largan. The company remains optimistic about its HLS shipment volume in 2021 and has given a 15%-20% growth guidance. The company aims to gain more market share in 2021 to consolidate its current position in terms of shipment volume. For handset camera modules, it currently ranks second in the market share, with a market share of approximately 14% and its growth space is broader than other businesses. The company aims to have the highest shipment volume this year, 2021. The shipment volume guidance is increased by 20%-25% yoy.

The VLS is currently in a stage of upgrading and development. The company entered the VLS field in 2004 and now ranks no. 1 in the world in terms of shipments, with a global market share of 34%, significantly leading other competitors in the industry. In 2021, the growth shipment volume guidance of VLS is 20-25%. In terms of production capacity, it is expected to increase from 6kk to 7kk per month. The company's current global market share in ADAS has more than 50%. With the development of electric vehicles and unmanned driving systems in the future, the company can rely on its relatively high industry technology and experience to maintain its position as the top company in the market.

We believe that the company has sound fundamentals and steady growth in various businesses, the volume of the shipment is expected to continue to rise, but it is difficult to make a breakthrough in a short period due to the epidemic. At present, the company's main source of income is smartphone-related products. From the perspective of the medium and long-term in the future, it is expected that the company's vehicle-related products will become a strong growth point and the shipment of VLS will be expected to increase significantly.

TMT & Education (Research Department)

This month, We have released 2 update reports, China Youzan (8083.HK) and Weimob Inc (2013.HK). Between them, we highly recommend Weimob (2013.HK).

According to the company's announcement, the company's revenue from Subscription Solutions in 1Q21 represented an increase of over 100% as compared to 1Q20, which beat the market expectation. Further, as at the end of 1Q21, the number of paying merchants increased by approximately 21.9% as compared to 1Q20. The attrition rate was approximately 4.3%, with corresponding annualized attrition rate at 17.2%, which represented a huge improvement as compared to the 26.1% in 2020. On the other hand, the revenue from Merchant Solutions in 1Q21 was up by over 50% YoY.

According to the announcement on 25th of May, the company placed 156 million new shares with placing price at HKD 15.00, which represents a discount of approximately 6.6% to the closing price of 24th of May. The placing has been completed on 1st of June. At the same time, the company has proposed to issue USD 300 million of zero coupon guaranteed convertible bonds due 2026, with initial conversion price of HKD 21.00, which represents a premium of approximately 30.8% over the closing price of 24th of May. The placing and bond issuance will raise USD 600 million for the company and the proceeds will be used for improving the company's comprehensive research and development capabilities, upgrading the company's marketing system, supplementing working capital and general corporate purposes. The new share placing and the bond issuance recorded 8 times and 5 times subscription, respectively and many well-known and long term institution investors have shown interest, which fully demonstrated their recognition of the company's long term value. We believe the company will have sufficient capital for product R&D as well as M&A in various vertical industries, in order to further consolidate its competitive advantages in the market.

We maintain our previous forecast on 2021-2023 Subscription Solutions revenue and adjust our forecast on 2021-2023 targeted marketing gross billing to HKD 15.8/20.8/26.9 billion (previous forecast was HKD 15.2/19.9/25.7 billion). But since we expect the company to invest in PaaS and TSO continuously in the foreseeable future, we cut our 2021-2023 adjusted Net profit forecast to HKD 55/184/515 million (previous forecast was HKD 184/347/766 million). We maintain our 2022 targeted marketing target PE of 18x and 2022 subscription solution target PS of 23x, adjust TP slightly downward to HKD 26.46 (-0.9%), to reflect our more optimistic view on the company's targeted marketing business and to reflect the dilution effect as a result of the newly issued shares. The TP corresponds to adjusted PE of 966x/290x/103x in 2021/2022/2023, respectively. We maintain Buy rating.

Fig 1. Performance of Recommended Stocks

Date	Ticker	Company	Analyst	Rating	Price on Recommendation Date	Target Price	Expected Return	Last Month Closing Price	Last Month Return	Closing Price 2M ago	1M Price Chg
20210609	601689 CH	Tuopu	ZJ	BUY	37	46.10	24.59%	37.43	1.16%	38.47	-2.70%
20210618	002085 CH	Wanfeng	ZJ	BUY	5.74	7.00	21.95%	5.6	-2.44%	5.36	4.48%
20210629	3606 HK	Fuyao	ZJ	Accumulate	55.95	60.00	7.24%	54.7	-2.23%	51.55	6.11%
20210607	1475 HK	Nissin Food	TC	BUY	6.11	7.54	23.40%	5.94	-2.78%	6.11	-2.78%
20210616	6110 HK	Topsport Int'l	TC	BUY	12.02	15.34	27.62%	12.7	5.66%	11.82	7.45%
20210623	2382 HK	Sunny Optical	SS	Accumulate	228.6	247.80	8.40%	245.4	7.35%	197.48	24.27%
20210603	8083 HK	China Youzan	PSR	Buy	1.71	3.04	77.78%	1.48	-13.45%	1.69	-12.43%
20210610	2013 HK	Weimob Inc.	PSR	Buy	16.92	26.46	56.38%	17.12	1.18%	17.78	-3.71%

A stock is calculated by RMB yuan.

Source: Phillip Securities Research

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

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

GENERAL DISCLAIMER

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Disclosure of Interest

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report.

Firm's Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

Availability

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product's risks, please visit the Risk Disclosures Statement on <http://www.phillip.com.hk>.

© 2021 Phillip Securities (Hong Kong) Limited

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel : (65) 6533 6001
Fax : (65) 6535 6631
Website: www.poems.com.sg

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
Number 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel (603) 21628841
Fax (603) 21665099
Website: www.poems.com.my

HONG KONG

Phillip Securities (HK) Ltd
Exchange Participant of the Stock Exchange of Hong Kong
11/F United Centre 95 Queensway
Hong Kong
Tel (852) 22776600
Fax (852) 28685307
Websites: www.phillip.com.hk

JAPAN

PhillipCapital Japan K.K.
Nagata-cho Bldg.,
8F, 2-4-3 Nagata-cho,
Chiyoda-ku, Tokyo 100-0014
Tel (81-3) 35953631
Fax (81-3) 35953630
Website: www.phillip.co.jp

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel (62-21) 57900800
Fax (62-21) 57900809
Website: www.phillip.co.id

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd
No 436 Heng Feng Road,
Green Tech Tower Unit 604,
Postal code 200070
Tel (86-21) 51699400
Fax (86-21) 60911155
Website: www.phillip.com.cn

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel (66-2) 6351700 / 22680999
Fax (66-2) 22680921
Website www.phillip.co.th

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel (33-1) 45633100
Fax (33-1) 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel (44-20) 7426 5950
Fax (44-20) 7626 1757
Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1.312.356.9000
Fax +1.312.356.9005

AUSTRALIA

PhillipCapital Australia
Level 10, 330 Collins Street
Melbourne VIC 3000
Tel (+61) 3 8633 9803
Fax (+61) 3 8633 9899
Website: www.phillipcapital.com.au