

Report Review of July 2021

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

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

Automobile & Air (ZhangJing)

This month I released 4 updated reports of Joyson(600699.CH), GWM (2333.HK), BYD (1211.HK) and Caeri (601965.CH) which got success by their unique Competitive edge. Among them, we highly recommend GWM (2333.HK), BYD (1211.HK).

According to the results report, in the first half of 2021, GWM reported operating revenue of RMB62.16 billion, up by 73.0% Y-o-Y. The net profit attributable to the parent company was RMB3,498 million, up by 205.2% Y-o-Y. In H1, GWM sold 618,200 vehicles accumulatively, up by 56.47% Y-o-Y. The three major technology brands, including Lemon, Tank and Coffee Intelligence, have significantly boosted the Company's new model sales. New models such as the third-generation Haval H6, the ORA brand and the Tank 300 have received a good market response. New models such as Haval's new flagship SUV concept car HAVALXY, as well as WEY Macchiato and Latte will be launched sequentially in H2. After that, for the ORA Lightning Cat and Punk Cat, will continue to expand the matrix of new energy models. Tank 300 city version, 500, 600, 800 and 700 is expected to be included in the Tank camp successively. As the shortage of chips is alleviating, GWM's sales volume is expected to continue to rise.

On June 28, GWM announced the 2025 Strategy - "Green Smart Play": In 2025, the Company will achieve the global annual sales target of 4 million vehicles, 80% of which are new energy vehicles, with operating revenue exceeding RMB600 billion. In the future, the accumulated R&D investment will reach RMB100 billion. GWM will achieve its first zero-carbon plant by 2023, and ride into top three in global hydrogen energy market share by 2025. We believe that the Company's strategic development objectives for 2025 are clear, and the forward-looking technological innovation layout is expected to continuously strengthen the Company's strength in new energy vehicles and intellectualization in the future, and open up the future valuation space.

Recently, BYD's proposal to spin off its semiconductor business and to list it on the A-share GEM has been accepted, officially opening the way for multiple businesses to obtain value revaluation through the capital market. We believe that with the acceleration of the neutralization strategy, the spin-off listing of other sectors such as blade batteries, commercial vehicles, and photovoltaic energy storage may be successively achieved in the future. The improvement in operational efficiency and value reshaping brought about by the spin-off will push up the Company's potential value. The Company is expected to fully benefit from the dividend of the positive feedback mechanism for capital and company value.

Consumer & Property Management (Timothy Chong)

I have released three update reports covering Semir Garment (002563.HK), LiNing (2331.HK) and Anta Sport (2020.HK) this month. Among them, we highly recommend Anta sport (2020.HK).

Anta Sport announced the company's operating data for Q2 and the 1H on July 8. The company's retail sales value growth in the second quarter was outstanding. Anta's main brand 2Q21 retail sales value increased by 35%-40% Yoy; FILA brand 2Q21 retail sales value Yoy Growth of 30%-35%; 2Q21 retail sales value of other brands increased by 70%-75% Yoy. In the first half of the year, Anta and FILA's retail performance exceeded the company's original expected growth. In addition, the

company also announced the `Lead to Win` acceleration plan in the coming 24 months, providing a clear development direction.

The company released the Five-Year Development Strategy and the rapid growth `Lead to Win` in the next 24 months. The strategic goal is divided into two parts, Leader in Scale and High Quality Growth. In the next 5 years, the main brand retail sales value aims to maintain 18-20% CAGR growth, and the market share will increase by 3~5 ppts; in addition, we will strengthen the layout of the first to third-tier cities, and the target will account for more than 50% of sales in the next 5 years, and the number of shopping malls will increase. The online retail sales value will maintain a CAGR growth of 30% in the next 5 years, and its proportion will increase to 40%.

The company Lead to Win is divided into two major directions, eight aspects. The two main directions are rooted in & known for performance sport and brand transformation & growth; in terms of rooted in & known for performance sport, the company proposes three aspects: 1) Continue to sponsor outfits for the national team; 2) Leverage global advanced sports R&D capability; 3) Breakthroughs in core sport categories - running, basketball and women's series. In terms of brand transformation & growth, the company proposes five aspects: 4) Focus on the Summer and Winter Olympics; 5) Win and lead the Generation Z; 6) Speed up DTC transformation and digital transformation; 7) Maintain Anta Kids` position as a market leader 8) Promote sustainable development and sports charities.

TMT (Samuel Sung)

This month I released 2 initial reports of AAC Technologies (2018.HK) and Q Technology (1478.HK). Among them, we highly recommend AAC Technologies.

The gross profit margin of the ACC Technologies's core business dynamic components has risen sharply from 28% in 2020, to 37.4% in the first quarter of 2021 (+11.4 ppts yoy, +9.4% mom). It is expected that the segment's annual gross profit margin will end the three-year continuous downward trend. The company has been deploying on Android customers in recent years, and the revenue and gross profit provided by Android customers to the company will continue to rise in 2020. In the first quarter of 2021, half of the company's segment revenue is contributed by Android customers, and gross profit is approximately 28%. In addition, the company has introduced standardized small-cavity speakers to improve the versatility to be applicable to various Android phone models. Account for about 20%-30% of total shipments in 2021, the company aims to standardize small-cavity speakers to account for about 70%-80% of total shipments in the future. It is expected that the company will still have huge room for growth in the Android market in the future, and its gross profit margin will also increase further.

Until the fourth quarter of 2020, the market share of plastic lenses has steadily increased, and the monthly output of plastic lenses has reached the level of 7kk-8kk per month in the fourth quarter. Its gross profit margin has risen sharply from -2.7% in the second quarter of 2019 to 28% in the fourth quarter of 2020, and its gross profit margin in 2021 reached 36.3%, which is close to the gross profit margin of the leading company Sunny Optical in plastic lenses, mainly due to product quality. In addition, the company's first WLG project has been successfully shipped in the first quarter of 2021, and the first mobile phone equipped with WLG glass-plastic hybrid lens has been promoted in the market. This product uses the 1G5P WLG glass hybrid lens solution. Compared with a plastic lens of the same specification (corresponding to a 6P lens), the light input is increased by 15%, the resolution is increased by 5%, and the overall lens height will be reduced by 5-10%.

From the first quarter report, the revenue is RMB 4.29 billion (+21% yoy). It is expected that the overall revenue will increase in the third and fourth quarters

during the peak seasons of mobile phone and other electronic product sales and reverse the company's three consecutive years of declining revenue.

Fig 1. Performance of Recommended Stocks

Date	Ticker	Company	Analyst	Rating	Price on		Expected	Last Month		Closing		
					Recommen	Target Price		Return	Closing	Last Month	Price 2M	1M Price
					ation Date			Price	Return	ago	Chg	
20210712	600699 CH	Joyson	ZJ	Accumulate		28.9	34.00	17.65%	25.31	-12.42%	25.52	-0.82%
20210716	1211 HK	BYD	ZJ	Accumulate		221	248.50	12.44%	239	8.14%	232.2	2.93%
20210726	2333 HK	GWM	ZJ	Accumulate		31.6	36.20	14.56%	37.35	18.20%	25.1	48.80%
20210730	601965 CH	Caeri	ZJ	Accumulate		16.78	19.05	13.53%	17.38	3.58%	16.99	2.30%
20210708	002563.SZ	Semir Garment	TC	Buy		12.29	14.95	13.53%	9.73	-20.83%	11.95	-18.58%
20210714	2331 HK	LiNing	TC	Netrual		87.5	91.82	4.94%	81.9	-6.40%	94.8	-13.61%
20210729	2020 HK	Anta Sports	TC	Accumulate		156.5	178.24	13.89%	169.3	8.18%	182.8	-7.39%
20210706	2018HK	ACC Technologies	SA	Accumulate		56.95	63.00	10.62%	46.55	-18.26%	58.1	-19.88%
20210706	1478.HK	Q Technologies	SA	Accumulate		16.84	20.12	19.90%	13.26	-21.26%	15.92	-16.71%

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

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