

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

Air & Automobiles (Zhang Jing),
TMT, Semiconductors, Consumer, Healthcare (Eric Li)
TMT, Food (Elvis Kwok)

TMT, Semiconductors, Consumer, Healthcare (Eric Li)

This month I released reports of Perfect Medical (1830.HK) & EC Healthcare (2138.HK).

Perfect Medical Health Management (“Perfect Medical”) is a comprehensive medical beauty and medical healthcare service provider, through integrating and developing its “Medical + Beauty” operational model, offering customers safe and effective medical services. Perfect Medical has a presence throughout Hong Kong, China, Australia, Singapore and Macau. The company principally engages in the provision of providing one-stop “Medical + Beauty” services and provides a full range of services, including “Medical (Pain Management)”, “hair growth treatment”, “Gynaecological medical service”, “men’s beauty and weight management”, “Medical Beauty services” and etc.

In 1HFY2023 (for the six months ended 30 September 2022), Perfect Medical's revenue decreased by 16.6% to HK\$668.3mn, impacted by Covid-19 pandemic. EBITDA decreased by 25.5% to HK\$229.7mn, representing the EBITDA margin of 34.4% for the period (1HFY2022: 38.4%). Profit attributable to equity holders was HK\$150.7mn, dropped 30.4% YoY, representing a net profit margin of 22.5% for the period, down 4.5 percentage points YoY. Basic earnings per share was HK12.1 cents. Interim dividend of HK13.0 cents, the dividend payout ratio is 107.4%.

For the period under review, with the 5th wave of Pandemic had lingering effect in Hong Kong, together with the adverse market sentiment due to the global and local economic downturn, the overall consumption sentiment had deteriorated. The company's performance has been impacted by the slower consumption trend in Hong Kong and the return of the Pandemic in China. The softening of the company's revenue had led to a drop in net profit during the period; and mainly impacted by the Pandemic, the company had business suspension of 20 days in Hong Kong, 39 days in Macau, as well as business disruption for an average of 14 days, 23 days, 63 days and 19 days across Guangzhou, Shenzhen, Shanghai and Beijing respectively. The employee benefit expenses decreased by 3.8% to HK\$230.6mn. The marketing expenses decreased substantially by 26.1% to HK\$77.7mn. The rental lease related expenses increased by 11.0% at HK\$87.1mn, in line with the expansion in service areas. The operating profit decreased by 31.9% and reached HK\$187.0mn, representing an operating profit margin of 28.0%, down 6.3 percentage points YoY..

In China, the wide-spreading pandemic in April to May 2022 and the resurgence in several provinces and cities in September 2022 has severely disrupted the economic development in all aspects. Periodic lockdown in selected areas and the advocacy of “zero-Covid-19” policy have substantially reduced the traffic flow in shopping malls, which directly impacted on the customers visit and consumption. The company's domestic business will inevitably be affected. However, as for the aesthetic medical industry, the non-invasive aesthetic services continued to receive strong demand in China. With the benefit of a much lower penetration rate relative to other international countries, a relatively higher repeat purchase rate nature and the improving living standard in China, the high-end aesthetic medical industry is expected to grow healthily. Currently, Perfect Medical focuses on the first tier cities including Beijing, Shanghai, Guangzhou and Shenzhen, and opened three shops in strategic locations in Hong Kong, Guangzhou and Beijing during the period to strengthen the presence. In fact, as China and Hong Kong gradually resume normal life and resume normal customs clearance, and the potential influx of tourists into Hong Kong in coming years, which is expected to be conducive to the recovery of the company's business.

TMT, Food (Elvis Kwok)

This month I released one report, Bilibili (9626.HK). Bilibili (9626.HK) is an online entertainment platform for young generations. Its main businesses include mobile games, value-added services, advertising, e-commerce and others. The main income of mobile games is the company's distribution of mobile games for third-party game developers on its platform. Users can download and play with Bilibili accounts for free, while users purchase virtual items in the games to get a better gaming experience, allowing the company to earn revenue from it. The main income of value-added services is the subscription fee from premium membership. Premium members can obtain exclusive rights to original or licensed content, the sale of virtual gifts in live channels and the sale of paid content and virtual items on the company's video, audio and comic platforms. Advertising revenue mainly comes from various forms of advertising services, including advertisements that appear on the launch page or top of mobile applications, banner brand advertisements at the top of website homepages, and performance advertisements that appear mainly in the form of organic feeds next to online video feeds. E-commerce and other major revenues come from the company's online sales of ACG (animation, comics and video games) related products and offline performance and event ticket sales.

A review of Q3 2022 Results

Bilibili (9626.HK) has announced the Q3 report ended September 30, 2022. The company's revenue amounted to RMB 5.8 billion, increasing 11.1% YoY. Cost of revenue amounted to RMB 4.7 billion, increasing 13.1% YoY. Gross profit amounted to RMB 1.1 billion, increasing 3.5% YoY. Gross profit margin was 18.2%, decreasing 1.4 percentage point YoY. Operating loss was RMB 1.9 billion, loss slightly narrowed by 1.6% YoY. The loss for the period was RMB 1.7 billion, loss narrowed by 36.1% YoY. Adjusted net loss amounted to RMB 1.8 billion, loss expanded by 8.8% YoY.

Business features

The company is a comprehensive video community that provides a large amount of rich content to meet the diverse interests of young people, and users and content creators can interact with each other. The content categories include life, games, entertainment, animation, knowledge and many other fields. The company also supports a wide range of video content consumption scenarios, centered on professional user-generated video (PUGV), supplemented by live broadcast, professional organization-generated video (OGV), etc. In term of user data and characteristics, the users of the platform are mainly people of the Z+ generation, which refers to people born in the middle and late 1990s to the early 2010s. According to the iResearch report, among the MAUs of the platform in 2020, users aged 35 and below accounted for more than 86%.

Mobile games

As of December 31, 2021, the company has operated 59 exclusive mobile games and hundreds of jointly operated mobile games. Currently, the company's top three exclusive mobile games are Fate/Grand Order (FGO), Guardian Tales and Azur Lane.

Positive factors

The company deeply cultivates ACG content to grasp the market trend / Re-approval of imported game licenses are good for the company's game revenue / Chen Rui directly manages the game department and focuses on the game business / The unique culture of the platform constitutes a strong moat.

Fig 1. Performance of Recommended Stocks

Time	Ticker	Company	Analyst	Rating	Price on Recommen dation Date	Target Price	Expecte d Return	Last Month Closing Price	Last Month Return	Closing Price 2M ago	1M Price Chg
20230208	9626.HK	Bilibili	EK	Buy	180.7	266.74	47.61%	154.9	-14.28%	194.8	-20.48%
20230223	01830.HK	Perfect Medical	EL	Accumulate	4.23	4.91	16.08%	4.06	-4.02%	4.6	-11.74%
20230228	02138.HK	EC Healthcare	EL	Reduce	8.05	6.73	-16.40%	7.46	-7.33%	9.39	-20.55%

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>.

© 2023 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