

Sectors:

Air & Automobiles (Zhang Jing),

TMT, Semiconductors, Consumer & Healthcare (Eric Li)

Automobile & Air (ZhangJing)

This month I released updated reports of GAC (2238.HK) and Spring Airlines (601021.CH).

GAC's total sales volume reached 2,433.8 thousand units in 2022, up 13.5% yoy, above the industry growth rate of 9.5%, with a target completion rate of 100%. Specifically, the cumulative sale volume of new energy vehicles reached 309.5 thousand units, up 116.7% yoy.

On a closer look at brands, mainly benefiting from the excellent performance of the pure electric vehicle brand GAC Aion (up 125.7% yoy), self-owned brands displayed strong performance, with the sale volume growing by 42.6% yoy to 634 thousand units, of which new energy vehicles accounted for 43%, providing strong support for the Company's new-energy development strategy. Among the joint venture brands, GAC Toyota's sales volume rose sharply to 1,005 thousand units, up 21% yoy, exceeding 1,000 thousand units for the first time; GAC Honda, which was largely affected by the chip shortage, performed poorly, with the sales volume dropping slightly by 4.9% yoy to 742 thousand units; due to aging models, GAC Mitsubishi's sales volume was under pressure, falling substantially by 49% yoy to 33.6 thousand units for the whole year. The management has given conservative guidance for sales target for 2023, aiming for a 10% yoy increase in sales volume to approximately 2,677 thousand units, continuing to grow faster than the industry average.

Looking ahead, after the supply chain restoration, the joint venture brands GAC Honda and GAC Toyota are accelerating the electrification layout, and the profitability is expected to improve; amid the trend of continuous increase in the penetration rate of new energy vehicles in China, self-owned brands are expected to benefit from the scale effects and continue to open up the space for growth.

GAC Aion plans to launch a new B-level sedan based on the AEP3.0 platform in H1 and H2 of 2023. Its high-end brand Hyper released the second model, HyperGT, which is expected to drive the brand to develop the market for sedans sold at RMB300 thousand. The pandemic's influence on the civil aviation industry in 2022 exceeded expectations in both depth and continuity. Shanghai, where the main base of Spring Airlines is located, suffered from a long-term lockdown in Q2, severely impacting the Company's main business of air transport. Both daily flights and the daily utilisation rate of aircraft registered made a record low since its establishment. The Company's main business indicators fell significantly throughout 2022. Specifically, the daily utilisation rate of aircraft declined by approximately 34% yoy. The passenger traffic turnover down 34% yoy. The P L/F was 74.65%, which down 8.22ppts yoy and down 16.2ppts from 2019. The domestic and international P L/Fs were 74.8% and 57.6%, respectively. Furthermore, increased oil prices (the import price of jet fuel up 73% in the year) and the depreciated RMB (the RMB at the end of 2022 depreciated by 9.2% from the end of 2021) also ramped up the Company's cost pressure and loss of the main business. The Company has disclosed its result forecast for 2022: It is expected that its net loss attributable to the parent company throughout the year will stand at RMB2.35 billion to RMB2.6 billion. In contrast, it achieved the marginal profit of RMB40 million in 2021. Thanks to the opening up at the end of 2022, the overstocked aviation market in China has been tapped well. Meanwhile, international market demand is slowly recovering along with the lift of strict entry and exit control. The recent international oil prices and RMB exchange rates are favourable for aviation enterprises. The resilience of performance recovery of aviation companies is worth expecting. The Company boasts prominent competitiveness in sight-seeing travel and low-cost business trip, and will outperform its peers in profitability recovery.

TMT, Semiconductors, Consumer, Healthcare (Eric Li)

This month I released reports of Vinda International (03331.HK).

Vinda is a leading hygiene company in Asia, with core business segments including tissue, incontinence care, feminine care, baby care and professional hygiene solution under key brands Vinda, Tempo, Tork, TENA, Dr. P, Libresse, Libero and Drypers.

FY2022, total revenue increased by 4.0% (growth at constant exchange rates: 8.1%) to HK\$19,418 million. Net profit declined by 56.9% to HK\$706 million while the net profit margin dipped by 5.2ppts from the previous year to 3.6%. Basic earnings per share was 58.7 HK cents (FY2021: 136.5 HK cents), with a final dividend of 30 HK cents per share. Together with the interim dividend, the total dividend per share for the Year will be 40 HK cents (FY2021: 50HK cents).

In 4Q2022, the quarterly revenue was HK\$5,364 million, a decrease of 2.2% YoY (growth at constant exchange rates: 6.4%); the net profit was HK\$19 million, a decrease of 95.2% YoY, mainly affected by Covid-19 and continuous rise of material costs.

The company's profit margin was negatively impacted by continuous rise of material costs and currency fluctuation. FY2022, gross profit was down by 16.9% to HK\$5,483 million, while gross profit margin down by 7.1 ppts to 28.2%. EBITDA was down by 36.1% to HK\$2,104 million and the EBITDA margin declined by 6.8 ppts to 10.8%, due to lower gross margin in the year. Total foreign exchange loss amounted to HK\$65.2 million (FY2021: HK\$27.5 million gain). However, total sales & administrative costs as a percentage of revenue edged down by 0.4 ppt to 24.5%.

In terms of capacity planning, the annualized designed capacity of the tissue manufacturing facilities was 1,390,000 tons at the end of the Year, including the capacity expansion of tissue production in South and East China which was to fulfil the growing market demand. In addition, Zhejiang's new plant has been put into operation in the second half of 2022, and will further improve the papermaking capacity in 2023. In terms of personal care equipment, the new headquarters of Southeast Asia in Malaysia, equipped with production facilities, warehousing and distribution equipment and modern R & D centers, it has been operated according to the plan (the first phase was put into operation in December 2022). The remaining domestic personal care facilities are located in East China, Central China and Taiwan.

The macroeconomic fluctuations last year led to an unprecedented increase in the cost of raw materials. Observing the recent changes in the market, after the Spring Festival holiday, the price of wood pulp has begun to be reduced. However, in terms of supply, the import volume of piles of piles in 2022 decreased yoy. This has made the domestic supply tightening still exists, resulting the price of wood pulp may support in the high level.

Fig 1. Performance of Recommended Stocks

Time	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
20230303	2238.HK	GAC	ZJ	Buy	5.24	9.1	73.66%	4.95	-5.53%	5	-1.00%
20230309	03331.HK	Vinda International	EL	Accumulate	21.750	14.100	-35.17%	18.980	-12.74%	21.600	-12.13%
20230328	601021.CH	Spring Air	ZJ	Buy	56.5	68.2	20.71%	62.56	10.73%	61.69	1.41%

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