CMBI Research Focus List

Our best high conviction ideas

18 Mar 2025

CMBI Focus List – Long and short ideas

Company	Ticker	Sector	Rating	M cap (US$ bn)	3M ADTV (US$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x) FY23A	P/E (x) FY24E	P/B (x) FY23A	ROE (%) FY23A	Yield FY23A	Analyst
Long Ideas														
Geely Automobile	175 HK	Auto	BUY	23.0	169.6	17.74	19.00	7%	24.50	7.80	1.60	6.8	1.6%	Shi Ji/ Wenjing Dou
Xpeng Inc.	XPEV US	Auto	BUY	23.3	209.1	24.56	16.00	N/A	N/A	N/A	2.20	N/A	N/A	Shi Ji/ Wenjing Dou
Zoomlion	1157 HK	Capital Goods	BUY	9.2	10.8	6.47	6.80	5%	13.70	12.30	0.90	6.4	5.4%	Wayne Fung
Anta	2020 HK	Consumer Discretionary	BUY	36.1	120.4	99.80	126.68	27%	N/A	24.20	N/A	N/A	N/A	Walter Woo
Luckin Coffee	LKNCY US	Consumer Discretionary	BUY	10.1	63.3	35.84	38.51	7%	26.60	17.50	6.00	25.8	0.0%	Walter Woo
Yum China	9987 HK	Consumer Discretionary	BUY	19.9	22.0	411.80	484.83	18%	N/A	22.20	N/A	N/A	N/A	Walter Woo
Proya	603605 CH	Consumer Staples	BUY	4.7	49.5	86.35	133.86	55%	28.50	22.50	7.70	30.3	1.6%	Miao Zhang/ Bella Li
CR Beverage	2460 HK	Consumer Staples	BUY	4.6	6.6	14.80	18.84	27%	18.60	18.30	3.40	21.30	0.0%	Miao Zhang/ Bella Li
BeOne	ONC US	Healthcare	BUY	29.7	98.8	265.07	359.47	36%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
WuXi AppTec	603259 CH	Healthcare	BUY	28.0	295.5	70.43	78.51	11%	N/A	17.70	N/A	N/A	N/A	Jill Wu/ Benchen Huang
CPIC	2601 HK	Insurance	BUY	40.8	39.5	26.65	35.50	33%	N/A	N/A	0.87	12.2	4.5%	Nika Ma
PICC P&C	2328 HK	Insurance	BUY	40.7	50.4	14.22	14.00	N/A	N/A	N/A	1.20	10.8	4.0%	Nika Ma
Alibaba	BABA US	Internet	BUY	350.6	3268.2	147.57	157.70	7%	N/A	29.00	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Tencent	700 HK	Internet	BUY	634.3	2191.3	537.00	525.00	N/A	28.30	20.50	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Kuaishou	1024 HK	Internet	BUY	36.5	406.0	65.85	85.60	30%	24.70	14.40	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Trip.com	TCOM US	Internet	BUY	42.9	239.6	66.67	70.00	5%	N/A	16.00	N/A	N/A	N/A	Saiyi He/Frank Tao/Wentao LU
Greentown Service	2869 HK	Property	BUY	1.9	2.0	4.58	6.13	34%	15.90	13.30	1.60	8.3	4.5%	Miao Zhang/ Bella Li
Xiaomi	1810 HK	Technology	BUY	183.2	1345.8	56.65	54.53	N/A	58.70	43.70	8.10	N/A	11.7%	Alex Ng/ Hanqing Li
BYDE	285 HK	Technology	BUY	15.0	126.9	51.90	48.66	N/A	25.40	22.60	4.20	13.8	0.0%	Alex Ng/ Hanqing Li
Willsemi	603501 CH	Semi	BUY	23.7	489.6	140.86	176.00	25%	222.10	38.00	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Naura	002371 CH	Semi	BUY	32.4	389.4	441.80	426.00	N/A	61.00	39.80	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Innolight	300308 CH	Semi	BUY	15.8	662.5	103.29	186.00	80%	74.40	21.70	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Salesforce	CRM US	Software & IT services	BUY	269.8	2187.9	280.75	388.00	38%	46.20	41.80	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao

Source: Bloomberg, CMBIGM, Price as of 18/3/2025 10:30 a.m.

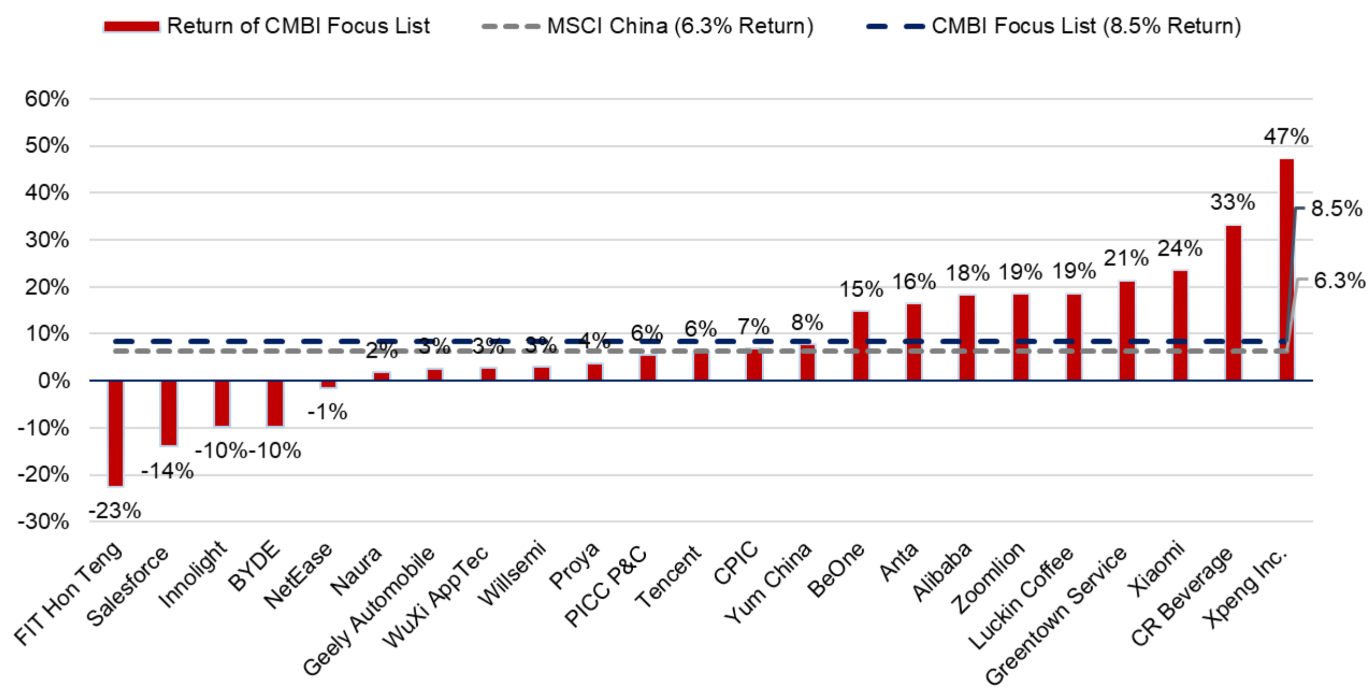
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Kuaishou	1024 HK	Internet	BUY	Saiyi He/ Wentao Lu/ Frank Tao	We expect Kuaishou to benefit from both AI development and consumption recovery in FY25E, with its core commercial business revenue +16% YoY. Kuaishou's current valuation of 11x FY25E PE is also attractive given its strong earnings outlook.
Trip.com	TCOM US	Internet	BUY	Saiyi He/Frank Tao/Wentao LU	We add TCOM as we believe market concern on conservative guidance post results has been overdone. We are positive that TCOM will sustain higher than industry average revenue and earnings growth in domestic and outbound travel market, and are constructive on Trip.com's global expansion potential.
Deletions					
China Hongqiao	1378 HK	Materials	BUY	Wayne Fung	N/A
NetEase	NTES US	Internet	BUY	Saiyi He/ Wentao Lu/ Frank Tao	We remove NetEase as key catalysts have played out.
FIT Hon Teng	6088 HK	Technology	BUY	Alex Ng/ Hanqing Li	While we are positive on FIT's long-term strategy and technology roadmap, we believe its latest conservative guidance will be the major overhang for stock price in the near term.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 17 Feb 2025, we highlighted a list of 23 long ideas.
- The basket (equal weighted) of these 23 stocks outperformed MSCI China index by 2.2ppts, delivering 8.5% return (vs MSCI China 6.3%).
- Four of these stocks delivered 20% return or more, and 11 outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 17 Feb 2025 to 17 Mar 2025

Long Ideas

Geely Automobile (175 HK) – AD functions to become standard on future Galaxy models

Rating: BUY **|** TP: HK$19.00 (7% upside)

Analysts: SHI Ji/ DOU Wenjing

- **The EM-i hybrid technology coupled with AI-powered G-Pilot AD to boost NEV sales.** Geely unveiled its AI-powered G-Pilot AD technology on 3 Mar 2025. Geely followed its major competitor to equip AD functions to all of its future models under Galaxy brand. Although Geely announced discounts of RMB3,000-6,000 for the existing Galaxy models on 3 Mar, we estimate those models could still be profitable given the cost reduction of its GEA platform, EM-i hybrid technology and greater economies of scale. We project Geely's total NEV sales volume to rise 50% YoY to 1.31mn units in FY25E, accounting for 55% of our projected Geely's total sales volume of 2.38mn units (+10% YoY).
- **Brand integration to refocus**. The restructuring of Zeekr and Lynk & Co finished in Feb 2025. Zeekr now holds 51% of Lynk & Co's equity interest and leads the brand's development. We believe such changes will help differentiate both brands' positioning, mitigate sales cannibalization and cut redundant investments. Zeekr and Lynk & Co plan to launch three and two brand-new models in 2025, including Zeekr's first extended-range electric vehicle (EREV) model. That, along with the sales network combination between Geometry and Galaxy, remind us of the brand combination of Emgrand, Gleagle and Englon in 2014, after which Geely's sales volume rose 22%, 50% and 62% YoY in FY15-17.
- **Valuation/Key risks.** Geely is to announce its FY24 results on 20 Mar. We believe management's guidance for 2025 at the conference could be more important for investors. We reiterate BUY with TP of HK$19.00, based on sum-of-the-parts valuation, including HK$4.00 for the Zeekr portion based on 0.7x Zeekr's core FY25 P/S and HK$15.00 for Geely's all other businesses based on 12x FY25E P/E.

Links to latest reports:

1. Geely Automobile (175 HK) - 3Q24 NEV sales and profits pave way for FY25
2. Auto - Price war to intensify amid AI arms race

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	147,965	179,204	240,904	276,930
YoY growth (%)	45.6	21.1	34.4	15.0
Net profit (RMB mn)	5,260.4	5,308.4	16,595.9	12,459.0
YoY growth (%)	8.5	0.9	212.6	(24.9)
EPS (Reported) (RMB)	0.52	0.53	1.65	1.23
P/E (x)	24.6	24.5	7.8	10.5
P/B (x)	1.7	1.6	1.4	1.3
Yield (%)	1.5	1.6	2.5	3.4
ROE (%)	7.3	6.8	19.3	12.9
Net gearing (%)	(33.2)	(38.8)	(46.4)	(54.8)

Source: Company data, Bloomberg, CMBIGM estimates

Xpeng Inc. (XPEV US) – Valuation edge: Intelligent driving meets robotics innovation

Rating: BUY **| TP:** US$16.00 (N/A)

Analysts: Shi Ji/ Dou Wenjing

- **Sales volume to more than double YoY in FY25E.** Xpeng launched its facelifted *G6* and *G9* on 13 Mar with competitive pricing, which could revive the sales of these two models in our view. The company plans to roll out its brand-new G7 in 2Q25, coupled with its first extend-range electric vehicle (large-size SUV) in 2H25. We believe Xpeng has mastered the capability to create hit products amid intensified competition, given the success of the *Mona M03* and *P7+*. We project Xpeng's sales volume to rise 110% and 26% YoY to 390,000 units and 490,000 units in FY25-26E, respectively.

- **We see early signs of net profit breakeven.** We estimate the gross margin of the *P7+* and new models in 2025 to exceed 10%, driving Xpeng's overall gross margin to 15.1% in FY25E. We expect the combined ratios of SG&A and R&D expenses (as % of revenue) to fall from 32.6% in FY24E to 21% in FY25E. Therefore, we project Xpeng's net loss to narrow to RMB2.2bn in FY25E and turn profitable in FY26E with a gross margin of 15.3%.

- **Valuation/Key risks.** We maintain our BUY rating. We are of the view that its higher-than-peers valuation multiple is justified due to its faster sales volume growth and possible breakeven in FY26E on our estimates. Its technological advancements in robotics and the plan to mass-produce L3 autonomous robots by 2026 have become new drivers for its share price. Key risks to our rating and target price include lower sales volume and/or GPM than we expect and a sector de-rating.

Links to latest reports:

1. Xpeng Inc. (XPEV US) - Mona M03, P7+'s success with 3Q24 GPM beat could make Xpeng's breakeven possible
2. Auto - Price war to intensify amid AI arms race

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	26,855	30,676	40,377	71,790
YoY growth (%)	28.0	14.2	31.6	77.8
Gross margin (%)	11.5	1.5	14.2	15.2
Operating profit (RMB mn)	(8,705.5)	(10,889.4)	(6,920.7)	(3,403.3)
Net profit (RMB mn)	(9,139.0)	(10,375.8)	(5,999.9)	(2,166.8)
EPS (Reported) (RMB cents)	(533.65)	(595.99)	(317.20)	(113.66)
P/S (x)	3.2	2.8	2.1	1.2
P/B (x)	2.1	2.2	2.8	3.0

Source: Company data, Bloomberg, CMBIGM estimates

Zoomlion (1157 HK) – Potentially better-than-expected machinery demand in China

Rating: BUY | **TP:** HK$6.8 (5% upside)

Analyst: Wayne Fung

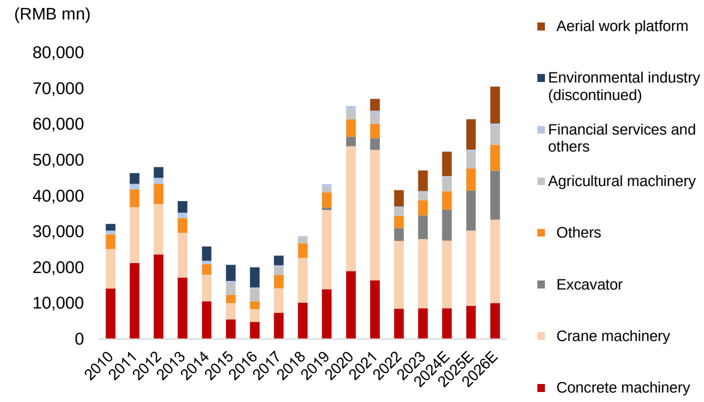
- **Investment Thesis:** We continue to like Zoomlion's global expansion strategy. On the product side, the offering of full range of machinery through an effective direct sales model enables Zoomlion to penetrate different key markets in overseas. On regions, the priorities on emerging economies such as the Middle East, Middle Asia and Southeast Asia over Europe and North America make it subject to less geopolitical and tariff-related risks. We see the H-share buyback as a near-term catalyst.
- **Our View:** Market has generally concerned about the higher tariff in the US. We see limited risk of tariff as the US accounts for only <1% of total sales at present. The annual designed output value of Zoomlion's Mexico AWP plant is ~RMB1bn (~2% of Zoomlion total sales assuming full utilisation). Products from the Mexico plant will be supplied to both North and South America. We expect Zoomlion to shift the sales to other regions in case of any unreasonably high tariff imposed by the US.
- **Why do we differ vs consensus:** Our earnings forecast in 2024E/25E is 0%/-8% versus consensus. We see potential upside from our relatively conservative assumptions on China's sales.
- **Catalysts:** (1) resumption of share buyback after final results; (2) further increase in overseas sales; (3) stronger-than-expected machinery sales in China.
- **Valuation:** Our H-share TP of HK$6.8 is based on 13x 2024E P/E, 40% to our A-share TP (RMB10.5, based on 22x 2024E P/E that is equivalent to the peak valuation in 2021).
- **Link to latest report:** Capital Goods – Domestic excavator sales +99% YoY in Feb a surprise

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	47,075	52,384	61,449	70,524
YoY growth (%)	13.1	11.3	17.3	14.8
Core net income (RMB mn)	3,550	3,946	4,488	5,132
Core EPS (RMB)	0.43	0.48	0.54	0.62
YoY growth (%)	54.9	11.2	13.7	14.3
Consensus EPS (RMB)	N/A	0.49	0.61	0.75
EV/EBIDTA (x)	10.9	9.4	8.2	7.2
P/E (x)	13.7	12.3	10.8	9.5
P/B (x)	0.9	0.9	0.9	0.8
Yield (%)	5.4	5.4	6.1	7.0
ROE (%)	6.4	6.9	7.7	8.5
Net gearing (%)	11.6	18.5	20.9	22.1

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Zoomlion's revenue breakdown



Source: Company data, CMBIGM estimates

Anta (2020 HK) – A beat in 4Q24 but a conservative outlook

Rating: BUY | **TP:** HK$126.68 (27% upside)

Analyst: Walter Woo

- **Investment Thesis:** Anta is the largest and leading Chinese sports brand group in China, with over 20% of market share. It is the owner of Anta, Maia Active, Arc'teryx and Solomon (thru Amer Sports), brands and FILA's business/ Descente/ Kolon's JV in China. As of Dec 2023, it has over 12,000 stores, and generated sales of RMB62bn and net profit of RMB10 bn in FY23. Growth drivers include: 1) Anta brand's reform, 2) FILA's new product launches, 3) rapid growth of the outdoor sports industry.

- **Our View:** We think FY25E is rather constructive, expect both Anta and FILA's retail sales growth target to be set at HSD to 10%. For Anta, drivers include : 1) continual ramp-up of various new store formats (esp. Super Anta store), 2) creating more new star products (offer more value for money products like PG7) and 3) more overseas expansion. For FILA, factors are: 1) launches of new batch of better designed products (just started in 4Q24), 2) further ramp-up of many functional products (e.g. Tennis and Golf) and footwear, 3) speed-up in store revamps and 4) improvements in customer experience. And we are also optimistic about Descente, Kolon and Amer, which are all accretive for sales and net profit.

- **Why do we differ vs consensus:** For FY24E/ 25E/ 26E, our net profit forecasts are -1%/ -0%/ +3% vs street, as we are more conservative about retail discounts and operating leverage in the near term. (Need to flag that positives from Amer were not fully reflected yet)

- **Catalysts:** 1) better-than-expected Anta and FILA brand reform, 2) better performance from the outdoor industry, 3) more government stimulus.

- **Valuation:** We derive our 12m TP of HK$126.68 based on 23x FY25E P/E. We also think downside is protected with shares buyback programme (about 3% of market cap per year). The stock is now trading at 18x FY25E.

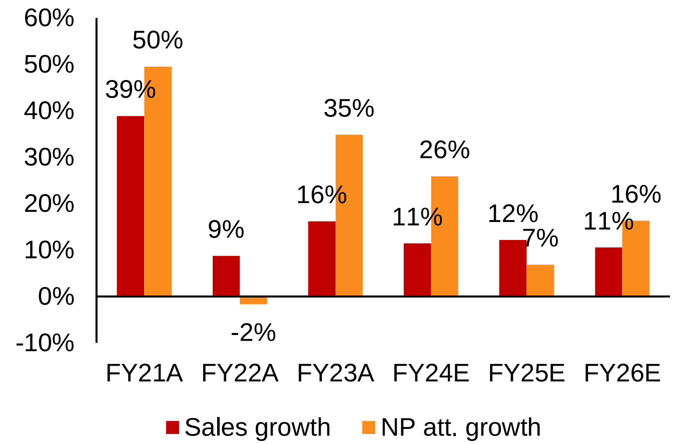
Link to latest report: Anta Sports (2020 HK) - A beat in 4Q24 but a conservative outlook

Financials and Valuations

(YE 30 Jun)	FY24A	FY25E	FY26E	FY27E
Sales (RMB mn)	62,356	69,483	77,930	86,144
YoY change (%)	16.2	11.4	12.2	10.5
Net profit (RMB mn)	10,234.0	12,885.6	13,772.5	16,020.1
EPS - Fully diluted (RMB)	3.65	4.60	4.92	5.72
YoY change (%)	34.7	25.9	6.9	16.3
Consensus EPS (RMB)	N/A	4.597	4.886	5.489
P/E (x)	24.2	19.2	18.0	15.5
P/B (x)	4.7	4.0	3.6	3.1
Yield (%)	2.2	2.2	2.6	3.0
ROE (%)	23.8	23.3	21.8	22.2
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

Luckin Coffee (LKNCY US) – Turning around in styles after the strong beat

Rating: BUY **| TP:** US$38.51 (7% upside)

Analyst: Walter Woo

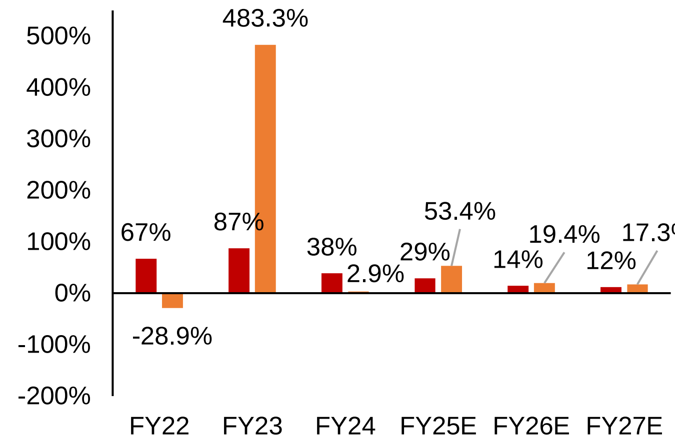
- **Investment Thesis:** Luckin is the largest and fastest-growing coffee brand in China, which has 16,248 stores, sales of RMB 24.9bn, net profit of RMB 2.85bn and market share of 21.7% in FY23. On top of quality coffee, it also emphasizes digital engagement, convenience, and competitive pricing. Growth drivers include: 1) rapid store opening, 2) rise in ASP and new product launches, 3) further adoption of freshly made coffee and 4) higher purchase frequency from the young/ wealthy/ people in lower tier cities.
- **Our View:** According to our channel check, SSSG in Jan- early Mar 2025 is likely at 10%+ (despite the cold weather), thanks to: 1) low base last year, 2) product category expansion (selling more milk tea), 3) reductions in competition and 4) increase in ASP by cut of discount and promotions. For profitability, we expect GP margin to be stable, as Luckin could offset rising coffee bean price by putting more efforts on vertical integration of supply chain (more direct purchase, more bulk purchase, leveraging the processing factories) or even hedging. And we are confident on OP margin improvement, supported by: 1) operating leverage and 2) higher labour efficiency (higher production per head and use of part-time staffs, etc.).
- **Why do we differ vs consensus:** For FY25E/ 26E/ 27E, our net profit forecasts are +26%/ +20%/ +16% vs street as we are more confident on sales growth and GP margin.
- **Catalysts:** Better-than-expected new products, store expansion, store efficiency and government stimulus.
- **Valuation:** We derive our 12m TP of US$38.51 based on 20x FY25E P/E. We believe its leadership in costs, brand equity, level of digitalization and its addictive, functional and staple product nature could fuel decent growth onwards. The stock is still undemanding, as it is trading at around 18x FY25E P/E.
- **Link to latest report:** Luckin Coffee (LKNCY US) - Turning around in styles after the strong beat

Financials and Valuations

(YE 31 Mar)	FY23A	FY24E	FY25E	FY26E
Sales (RMBmn)	34,475	44,394	50,678	56,728
YoY change (%)	38.4	28.8	14.2	11.9
Net profit (RMBmn)	2,932	4,497	5,367	6,296
EPS - Fully diluted (RMB)	1.15	1.749	2.078	2.425
YoY change (%)	1.9	52.6	18.8	16.7
Consensus EPS (RMB)	N/A	1.468	1.853	2.168
P/E (x)	26.6	17.5	14.7	12.6
P/B (x)	6.0	4.5	3.4	2.7
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	25.8	29.4	26.5	24.2
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

Yum China (9987 HK) – Constructive FY25E outlook and guidance

Rating: BUY **| TP:** HK$484.83 (18% upside)

Analyst: Walter Woo

- **Investment Thesis:** YUMC is the largest restaurant group in China by sales. It owns 14,644 stores in FY23 (10,296 KFC/ 3,312 Pizza Hut/ 1,036 other brands) and generated US$ 11.0bn sales and US$ 827mn net profit in FY23. In our view, it is even benefiting from pandemic, through market share gains and structural margin improvements, driven by: 1) innovative and successful product launches, 2) more automations and efficient use of labour, 3) smaller-sized stores and 4) less depreciation due to lower capex.

- **Our View:** Management disclosed the FY25E guidance: 1) MSD system sales growth, 2) favourable commodity price trend, 3) stable to improving OP margin. They also mentioned positive SSSG during 2025 CNY. We are optimistic about such outlook, because of: 1) potential reduction in competition, 2) better SSSG, driven by about 2% ASP hike by KFC and ASP cut by Pizza Hut (foot traffic may improve after massive menu price cut), opening of more K-Coffee and WOW stores, rollout of new products and various marketing campaigns, and 3) improvements in efficiency. We will also closely monitor potential drags on labour costs inflation and sales per store drop as more small-sized and franchised stores are opened.

- **Why do we differ vs consensus:** For FY24E/ 25E/ 26E, our net profit forecasts are +2%/ +2%/ +7% differ from street as we are more optimistic in sales but more confident on OP margins.

- **Catalysts:** 1) better-than-expected product launches, 2) further improvement in store economics and 3) more policy stimulus.

- **Valuation:** Our new TP of HK$ 484.83 is based on 22x FY25E P/E (unchanged), still not demanding vs 5-year average of 25x. The stock is trading at about 17x 25E P/E. Highly attractive given the generous cash return programme, accounted for about 8% of current market cap .

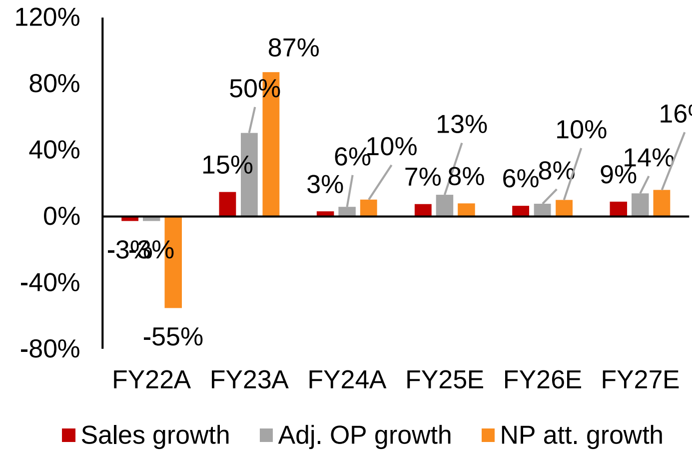
Link to latest report: Yum China (9987 HK) – Constructive FY25E outlook and guidance

Financials and Valuations

(YE 31 Dec)	FY24A	FY25E	FY26E	FY27E
Sales (RMB mn)	11,303	12,144	12,930	14,072
YoY change (%)	3.0	7.4	6.5	8.8
Adj. net profit (RMB mn)	911	982	1,079	1,251
EPS - fully diluted (RMB)	2.34	2.821	3.082	3.574
YoY change (%)	18.6	20.8	9.3	16.0
Consensus EPS (RMB)	N/A	2.22	2.49	2.82
P/E (x)	22.2	18.4	16.8	14.5
P/S (x)	2.8	2.5	2.2	2.0
Yield (%)	1.4	1.5	1.6	1.9
ROE (%)	13.5	14.4	14.0	14.5
Net debt/ equity (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Sales and net profit growth



Source: Company data, CMBIGM estimates

Proya (603605 CH) – Best earnings among peers, strong momentum sustained

Rating: BUY **| TP:** RMB133.86 (55% upside)

Analysts: Miao Zhang/ Bella Li

- Proya's 2Q24 results beat consensus with revenue/net profit +41%/37% YoY (1H24 revenue/net profit +37.9/40.5% YoY), mostly contributed by the accelerated sales growth of main brand to 37.7% YoY. The earnings ranked the top among peers. 1H24 GPM dropped by 0.7 ppts and steadied at 69.8%, accompanied by the 3 ppt. increase in selling expense ratio to 47%, due to the prolonged 618 promotion cycle, continuous rise in unit cost of livestream marketing, and high e-commerce return rate. Full-year guidance wise, the company aims to maintain GPM at ~70% and maintain the NPM in a slightly upward trend.

- **Hero SKUs outperform consistently benefiting earnings.** Proya continued to consolidate the "hero product strategy", 1H24 image promotion fees +50% YoY and selling expense ratio hiked 3 ppts YoY to 46.7%. Thanks to the hero products that powered up re-purchase rates on both Tmall and Douyin (now at 40%+ and 30%+, respectively) and its contribution of revenue further increased to 57%, up from 55% in 1Q23. Considering the high margin of hero products, we see both the top line and bottom line growth to remain intact for 2024E. Amid the challenging landscape, the company's priority of achieving steadfast market share in the upcoming 11.11 may increase marketing expense ratio in 2H, given Douyin's unfavourable mechanism and the high return rate circumstance broadened.

- **Visible sustainability of sub-brand growth.** The skincare segment reported +37% YoY revenue growth on a relatively high base, while both make-up and body & hair segment achieved growth exceeding 42% YoY, demonstrating the all three major BUs are now on track of sustainable growth. Meanwhile, management reaffirmed the overseas expansions plans on major sub-brands, especially TIMAGE and Hapsode. Looking forward, we believe that the readied products portfolio targeting wide price ranges and the experienced BU management team should provide solid support to overseas' steady growth.

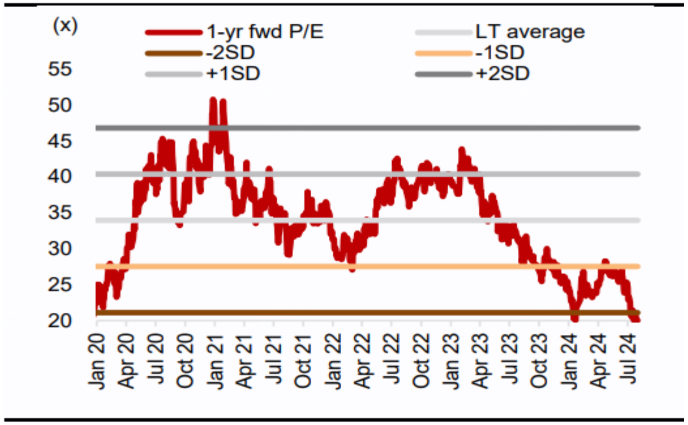
- **Valuation.** Maintain BUY with TP of RMB 133.86, based on 35x 2024E P/E.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	6,385	8,905	11,363	13,742
YoY growth (%)	37.8	39.5	31.4	25.0
Net income (RMB mn)	817.4	1,193.9	1,518.0	1,893.4
EPS (RMB)	2.06	3.01	3.83	4.77
YoY growth (%)	40.9	46.1	27.2	24.7
Consensus EPS (RMB)	N/A	N/A	3.89	4.72
P/E (x)	41.7	28.5	22.5	18.0
P/B (x)	9.6	7.7	6.4	5.3
Div yield (%)	0.7	1.6	2.0	2.6
ROE (%)	25.5	30.3	31.8	33.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E



Source: Company data, CMBIGM estimates

CR Beverage (2460 HK) – A purified water pioneer evolving into integrated beverage titan

Rating: BUY **| TP:** HK$18.84 (27% upside)

Analysts: Miao Zhang/ Bella Li

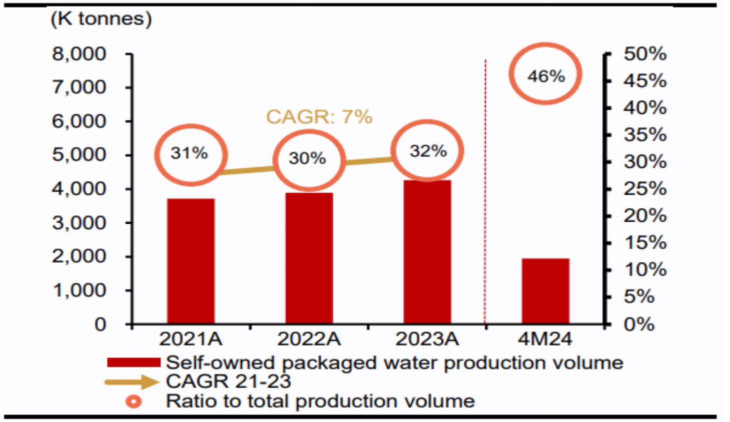
- The company secured its position despite the deteriorated environment with share edged down by 1.37% in Sep 23-Aug 24 (vs. -3.52%/-3.98% for Nongfu/Ganten). We like the company due to its 1) solid position in the purified water market, 2) the soon-to-take-off second growth curve backed by herbal tea drinks and functional beverages, 3) potential improvement in efficiency driven by self-owned capacity and national expansion, 4) being the only central SOEs within the sector. Rated BUY with TP of HK$18.84, reflecting 22x 2025E P/E.
- **Second growth curve poised to surge.** Company's beverage business grew fast at a revenue/GP CAGR of 43/55% from FY21-23 driven by strategic emphasis on cultivating products in niche segment. We expect CAGR of segment rev./GP to reach 44/43% from FY23-26E given that: 1) one of its tea products dominated the chrysanthemum tea market (mkt share of 38.5%) in 2023 according to CIC. We expect sales volume to surge, matching the trending culinary-medicinal fusion; 2) company's sports label fertilizes market for functional drinks. Leveraging its strong sports marketing legacy as the official hydration partner for China's national teams, the company creates an ideal platform for launching sports beverages.
- **Northward expansion fuels revenue upsurge and market share gains.** The company has a strong foothold in southern (notably the Pearl River Delta) and eastern territories (contributed 59% of revenue), and eyes to tap into underdeveloped markets in northern regions. By 4M24, the northern region's distributor base expanded by 14% from 2023, fuelling a 12.9% YoY revenue uptick, against a 5.3% total revenue rise, boosting its contribution to 26% (vs 23.8% in 2023). We think northward expansion in low-base regions may sustain revenue growth and support market share gains.
- **Valuation.** The stock is rated BUY with TP at HK$ 18.84, reflecting 22x 2025E P/E, that was derived from 1) 15% discount on 23x 2025E P/E of key peers in RTD industry to reflect the company's less beverage exposure; 2) 10% premium since the company is the only central SOEs in the sector. On a 2023-2026E rev./NP CAGR of 7.2/19.3%, our TP arrived at HK$18.84. Key risks: 1) economic downturn, 2) price war, 3) food quality and safety risks, 4) raw material price hikes.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	12,623	13,515	14,344	15,334
YoY growth (%)	11.3	7.1	6.1	6.9
Net income (RMB mn)	989.8	1,329.3	1,617.7	1,931.6
EPS (RMB)	0.49	0.66	0.67	0.81
YoY growth (%)	15.3	34.3	21.7	19.4
Consensus EPS (RMB)	N/A	N/A	0.70	0.82
P/E (x)	25.0	18.6	18.3	15.4
P/B (x)	4.2	3.4	2.2	2.4
Div yield (%)	0.0	0.0	2.2	2.6
ROE (%)	19.5	21.3	16.3	15.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Self-owned water production volume



Source: Company data, CMBIGM estimates

BeOne (ONC US) – Strong FY25 guidance issued

Rating: BUY **| TP:** US$359.47 (36% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment Thesis:** Targeting GAAP operating income breakeven in FY25. BeiGene continued to narrow its quarterly GAAP net loss and achieved increasing non-GAAP profitability for the third consecutive quarter in 4Q24. For full-year 2024, BeiGene achieved positive non-GAAP operating income of US$45mn (GAAP loss of US$568mn). With a robust FY25 revenue guidance of US$4.9~5.3bn (+29~39% YoY), and a moderate increase of operating expenses (+8~16% YoY), BeiGene is on track to achieve GAAP operating income breakeven and positive operating cash flow in FY25.
- **Our View:** We expect zanubrutinib (Zanu) continue gaining market share in the global BTK market. In FY24, sales of Zanu surged by 105% YoY to US$2.64bn. Excluding US$30mn positive impact in 4Q24 and US$15mn negative impact in 3Q24 from seasonality and customer order timing, sales of Zanu increased by 13% QoQ in 4Q24, beating market expectation. The robust growth of Zanu in FY24 was mainly fueled by market share gains in the US and Europe, with sales increased by 106% YoY and 194% YoY to US$2.0bn and US$359mn, respectively. In the US market, Zanu maintained its leading position in new patient prescriptions for both 1L and R/R CLL in 4Q24, reinforcing its potential for sustained growth given the chronic nature of CLL and extended treatment duration. Notably, 4Q24 marked the first time that Zanu's US sales (US$616mn, +22% QoQ) surpassed acalabrutinib (US$573mn, +1% QoQ) and approached ibrutinib (US$625mn, +1% QoQ). Zanu's global BTK inhibitor market share expanded to ~29% in 4Q24, up from 17% in 4Q23. However, it currently accounts for only ~25% of all-line new US CLL prescriptions, indicating significant room for further penetration. We believe that the results of pirtobrutinib's two Ph3 trials, BRUIN CLL-313/4, will have a minimal impact on Zanu's market position, as the control arms in both trials do not represent the best available therapy.
- **Why do we differ**: We expect the company to achieve significant R&D milestones in 2025. BGB-43395 (CDK4i) has enrolled over 180 patients, with PoC data expected to be presented at ASCO in Jun 2025. BeiGene is planning Ph3 studies of CDK4i for 1L and 2L HR+ breast cancer, with the 2L Ph3 trial to start as early as 4Q25. In the hematology franchise, Ph2 data for Sonro (Bcl2i) in R/R MCL (global) and R/R CLL (China) are expected in 2H25, potentially leading to NDA filings.
- **Valuation:** We derive our target price of US$359.47 based on DCF valuation (WACC: 9.32%, terminal growth rate: 3.0%).

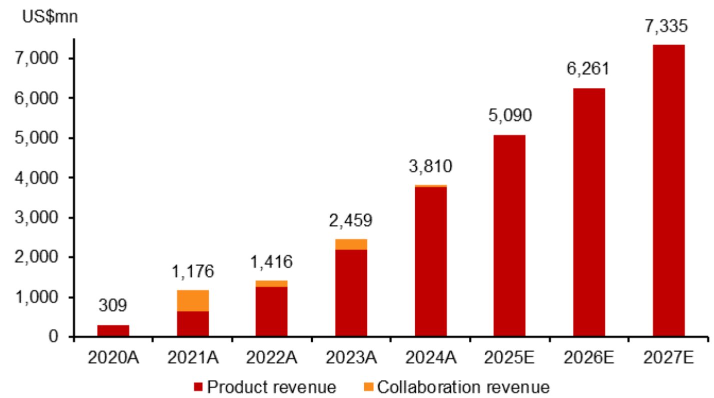
Link to latest report: BeOne (ONC US)- Strong FY25 guidance issued

Financials and Valuations

(YE 31 Dec)	FY25E	FY26E	FY27E
Revenue (US$ mn)	5,090	6,261	7,335
YoY growth (%)	34%	23%	17%
Net loss (US$ mn)	131	694	1,336
EPS (US$)	1.23	6.50	12.52
Consensus EPS (US$)	0.77	5.28	9.06
R&D expenses (US$ mn)	(1,985)	(2,004)	(2,127)
Capex (US$ mn)	(200)	(200)	(200)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

WuXi AppTec (603259 CH) – Earnings recovery underway; Positive on valuation re-rating

Rating: BUY **| TP:** RMB78.51 (11% upside)

Analysts: Jill Wu/Benchen Huang

- **Investment Thesis:** WuXi AppTec is a world leading pharmaceutical R&D and manufacturing platform which provides one-stop services with quality and efficiency for global clients. With capabilities covering all stages of drug R&D, WuXi AppTec has built close partnerships with a wide range of customers in the world, including all global Top20 pharmaceutical companies, positioning the Company as an indispensable part to the global pharmaceutical industry.

- **Our View:** 1) Geopolitical risks largely diminished. The legislative failure of the Biosecure Act (S.3558 & H.R.8333) in the 118th U.S. Congress reflects the resistance encountered by the legislation within the U.S. congress. We believe that future legislation will continue to face significant obstacles, considering that several senior politicians who had publicly opposed the Act will hold important positions in the next Congress. 2) Overseas peers struggle to compete with Chinese chemical CDMOs in the medium term. Competitors from Europe, U.S., and India engaged in API and chemical CDMO services significantly trail WuXi AppTec in terms of business scale and capacity. 3) Earnings recovery underway. As of 3Q24, WuXi AppTec's backlog climbed to RMB43.82bn, representing a YoY increase of 35.3%. Specifically, TIDES backlog as of 3Q24 saw a substantial YoY increase of 196%, acting as the strongest growth driver for the Company through 2026. Additionally, the expected recovery of global biotech funding is set to boost the demand for WuXi AppTec's early-stage R&D services, which accounted for ~37% of total revenue in 2023.

- **Why do we differ vs consensus:** Our FY25E/26E revenue and adjusted EPS forecasts are higher than the consensus, reflecting our positive view on the Company's long-term growth visibility and competency in global market. We think that WuXi AppTec will continue to mitigate geopolitical risks on its business with its global manufacturing network covering China, U.S., Switzerland, Germany and Singapore.

- **Valuation:** We derive our target price of RMB78.51 based on DCF valuation (WACC: 9.42%, terminal growth rate: 2.0%).

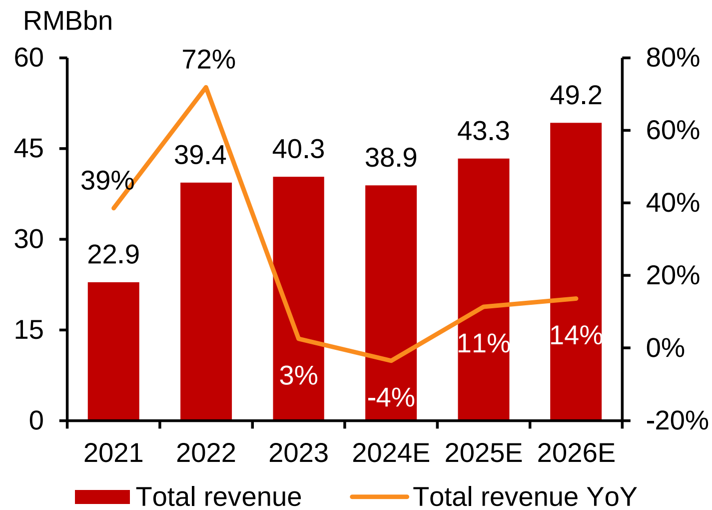
Link to latest report: 药明康德 (603259 CH) - 生物安全法案大概率立法失败，看好估值修复

Financials and Valuations

(YE 31 Dec)	FY24E	FY25E	FY26E
Revenue (RMB mn)	38,906	43,332	49,225
Revenue YoY growth (%)	(3.6)	11.4	13.6
Adjusted net income (RMB mn)	10,427	11,668	13,474
Adjusted net income YoY growth (%)	(3.9)	11.9	15.5
Adjusted EPS (RMB)	3.61	4.04	4.67
EPS YoY growth (%)	(2.4)	11.9	15.5
Consensus EPS (RMB)	3.34	3.77	4.14
P/E (x)	17.7	15.8	13.7
P/B (x)	3.2	2.8	2.4
ROE (%)	16.6	16.3	16.6
Net gearing (%)	Net cash	Net cash	Net cash

Source: Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

CPIC (2601 HK) – Solid A/L mgmt. resonating with Southbound preference

Rating: BUY **| TP:** HK$35.5 (33% upside) Analyst: Nika Ma

- **Investment Thesis:** We expect full-year NBV growth to land at 36.2%/11.2% in FY24/FY25E, with NBV growth in each channel steadied after the surge in FY24. We see this exceptional NBV growth in FY24 to be driven by 1) resilient margin expansions in bancassurance, of which we estimate the channel's 2H24 NBV margin to rise to 13% on a like-for-like basis (vs 1H24: 12.5%); and 2) sales on par products to continue riding in momentum, which will further enhance agency NBV margin over the long run. For agency channel, we expect the NBV margin to maintain at a level around 30% in FY24/FY25E. Despite margin improvement, we expect first-year premiums (FYP) to slightly slip in FY24 and will return to an incremental advance in FY25/FY26E, after the consumption of effect of PIR cuts. We remain positive on CPIC's proactive A/L duration mgmt. through OCI asset allocations and expect its allocations to HDY stocks under FVOCI to increase in FY24 (vs 1H24:1.9%). We forecast FY24-26E EPS to be RMB 4.58/4.25/4.60.
- **Robust FY24 NBV growth.** 3Q NBV surged 75.3% YoY to RMB5.2bn, driven by margin expansion (+6.2pct) and rebounded regular-paid new sales (+15.2%). We estimate the NBV margin could rise to around 19% in 2H24 (vs 2H23: 13%), enhanced by approx. 6pct year-over-year. We attribute the margin improvement to 1) elevated par sales that are entitled to the absorption effect on interest rate volatility and 2) strengthened regular-paid new sales, evidenced by the FYRP increases in agency (3Q24: +37%) and bancassurance (9M24: +23.2%). Total FYRP surged 1.38x YoY to RMB18.5bn in 3Q24, leading to the rebound of FYP by 15% YoY (vs 2Q24: -29%). We expect full-year NBV to sustain solid growth by +36% YoY (*CMBI est*), thanks to improved UW and rebalanced product mix.
- **Valuation:** The stock is trading at 0.37x FY25E P/EV and 0.78x FY25E P/BV, with a dividend yield at 4.4%. We remain positive on the insurer's NBV margin increase on top of an improved underwriting channel and product mix. Maintain BUY, with TP of HK$35.5, implying 0.5x FY24E P/EV and 1.2x FY24E P/BV.
- **Catalyst:** The company will announce FY24 earnings result post-market on Mar 26, 2025 (Wed) and hold an earnings call at 3:00-4:00pm on Mar 27, 2025 (Thu).

Links to latest reports:

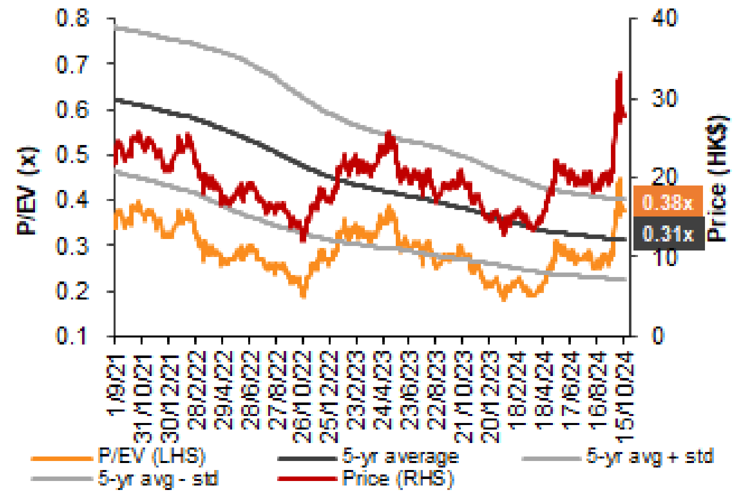
1. CPIC (2601 HK) - 3Q NBV growth accelerated; expect par sales to outgrow
2. 中国保险 - 2025展望：拨云见日终有时、价值增长曙光现

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Net profit (RMB mn)	27,911	44,870	41,687	45,132
EPS	2.83	4.58	4.25	4.60
Consensus EPS	N/A	4.60	4.23	4.65
Group EV / share (RMB)	55.0	64.0	69.9	76.5
P/EV (x)	0.41	0.35	0.32	0.29
P/B (x)	0.87	0.82	0.75	0.67
Dividend yield (%)	4.5	4.7	4.9	5.4
ROE (%)	12.2	17.1	14.7	14.4

Source: Company data, Bloomberg, CMBIGM estimates

CPIC (2601 HK) – P/EV valuation band versus stock price



Source: Bloomberg, CMBIGM estimates

PICC P&C (2328 HK) – Resilient defensive play; COR could improve in FY25E

Rating: BUY | **TP:** HK$14.0 (N/A) Analyst: Nika Ma

- **Investment Thesis:** Auto premiums rebounded in 4Q by up 6.4% YoY (vs 3Q24: +4.6%) surpassing major peers whereas Ping An P&C and CPIC P&C's auto premiums were +6.0%/+4.8% YoY in 4Q24. We expect the auto premium growth momentum to sustain in 1H25, underpinned by the recovery of domestic retail passenger car sales under the "trade-in" policy. We maintain our forecast on auto premium growth at 5.0% in FY25E. Despite non-auto premium plummeted 31% YoY in Dec-24 exceeding market expectations, we see the drag on agriculture (-176%), liability(-19%) and credit insurance(-35%) was to some extent due to seasonality, which could set up a low base for growth in FY25. We maintain our FY24/FY25E CoR at 97.7%/97.6%, with auto and non-auto CoR at 96.6%/99.6% in FY24 and 96.4%/99.6% in FY25 respectively. Looking ahead, we expect ticket size of auto insurance to stabilize with a more benign competitive landscape and increasing penetration of NEVs, which could enhance the pricing in product mix.
- **Intact dividend growth focusing on DPS.** The insurer used to peg dividends to net income, and has maintained >40% payout for over five years. Given the surge of 3Q bottom-line mostly driven by the fair value increases, we think the insurer will focus more on the absolute value growth of DPS, rather than to rigidly stabilize on the payout. We project FY24 bottom-line to grow 30% YoY to around RMB 32bn, and dividend yields could be at 4.7%/4.9% in FY24/25E respectively.
- **Valuation/risks.** The stock is now trading at FY25E 1.05x P/BV with 12.6% ROE, based on our estimation. We think improved UW profitability and the defensive nature of the P&C forerunner could underpin long-term sustainable value growth. Maintain BUY, with TP of HK$14.0, based on 1.1x FY24E P/BV.
- **Downside risks:** deteriorated CoR in 2H24; weaker-than-expected vehicle sales; and increased stock market volatilities, etc.
- **Catalyst:** The company will announce FY24 earnings result post market on Mar 27,2025 (Thu), and hold the earnings call at 3:00-4:00pm on Mar 28, 2025 (Fri).

Links to latest reports:

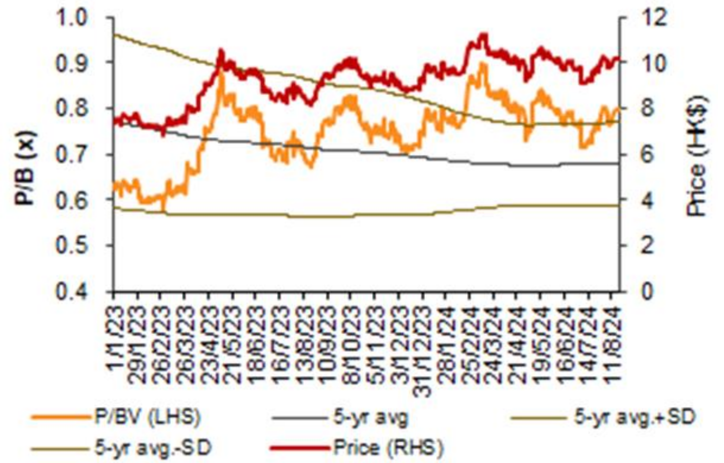
1. PICC P&C (2328 HK) - 3Q CoR miss dragged by non-auto claims
2. 中国保险 - 2025展望：拨云见日终有时，价值增长曙光现

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Net profit (RMB mn)	24,566	31,946	33,072	34,596
EPS (RMB)	1.11	1.44	1.49	1.56
Consensus EPS (RMB)	N/A	1.44	1.46	1.58
Combined ratio (%)	97.8	97.7	97.6	97.4
P/B (x)	1.2	1.1	1.0	1.0
Dividend yield (%)	4.0	4.7	4.9	5.1
ROE (%)	10.8	13.1	12.6	12.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PICC P&C: share price and P/B herald price growth



Source: Bloomberg, CMBIGM estimates

Alibaba (BABA US) – Solid cloud rev growth with improved earnings growth outlook for e-commerce business

Rating: BUY | **TP:** US$157.7 (7% upside)

Analysts: Saiyi He/Frank Tao/Wentao Lu

- **Investment Thesis:** 1) Alibaba's fundamental is on improvement track, evidenced by inline with industry average GMV growth for Taobao & Tmall Group, expansion in take rate aided by incremental technological services fee charge and increase in adoption of Quanzhantui; 2) cloud business valuation has been more widely accepted by the market, and the rapid increase in inference demand has provided solid support for future cloud services revenue growth; 3) Alibaba is enhancing shareholder return through a holistic approach (ie, share buyback, dividend payout, support strategically important new business growth to drive long-term shareholder value improvement), which should support valuation rerating combined with the impact from increase in southbound fund flow post stock connect inclusion, in our view.

- **Our View:** Post the results, we are becoming more constructive on Alibaba's EBITA growth outlook in FY26E aided by increasing merchant adoption of Quanzhantui, sooner-than-expected loss reduction from Alibaba International Digital Commerce Group (AIDC), and more rapid-than-expected cloud revenue growth aided by the increase in AI inference demand across industries. The stable and predictable shareholder return plan and incremental fund flow from southbound investors post stock connect inclusion both serve as support for valuation.

- **Catalysts:** 1) better-than-expected consumption recovery and better-than-expected monetization improvement and adj. EBITA growth of Taobao & Tmall Group in 2HFY25; 2) better-than-expected cloud revenue growth aided by increase in inference demand; and 3) positive regulatory update regarding fintech business.

- **Valuation:** Our SOTP-based TP is US$157.7, which translates into 17x FY25E PE.

Financials and Valuations

(YE 31 Dec)	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	941,168	1,001,644	1,095,506	1,179,027
Adjusted net profit (RMB mn)	158,359.0	159,945.1	177,055.7	199,757.8
EPS (Adjusted) (RMB)	62.77	65.36	74.59	85.87
Consensus EPS (RMB)	N/A	63.22	71.06	79.92
P/E (x)	29.0	16.3	14.4	12.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Alibaba: SOTP valuation

#	Segment (USDmn)	Valuation method	Rev (USDmn)	Adj. EBITA post tax	P/E (x)	EV/S (x)	Val. Rmb mn	Val. US$m	$/share	Value split
1	Taobao and Tmall Group	9.0x FY25E P/E; 20% tax rate on adjusted EBITA	62,305	21,533	9.0		1,395,313	193,794	80.7	51%
2	International Digital Commerce Group	1.5x FY25E EV/S	18,745			1.5	202,451	28,118	11.7	7%
3	Local Services Group	1.5x FY25E EV/S	9,352			1.5	103,699	14,403	6.0	4%
4	Cainiao Smart Logistics Network Limited	Last round transaction value; 63.7% shareholding	14,468				47,380	6,581	2.7	2%
5	Cloud Intelligence Group	4.0x FY26E EV/S on revenue before intersegment elimination	19,897			4.0	573,028	79,587	33.2	21%
6	Digital Media and Entertainment Group	0.7x FY25E EV/S, inline with iQIYI trading EV/S	2,996			0.7	15,098	2,097	0.9	1%
7	All others	1.0x FY25E EV/S	29,117			1.0	199,159	27,661	11.5	7%
	Total Alibaba business						**2,536,128**	**352,240**	**146.8**	
INVESTMENTS										
1	Ant Group	Last round share buy back valuation; 33% share holding					187,143	25,992	10.8	
2	Others	Market valuation					81,896	11,375	4.7	
	Total investment (with 30% holding discount)								**10.9**	7%
	Total (US$mn)								**157.7**	
	#s of diluted ADS (mn)								2,400	

Source: Company data, CMBIGM estimates

Link to latest report: [Alibaba (BABA US) – Solid cloud rev growth with improved earnings growth outlook for e-commerce business]

Tencent (700 HK) – Strong competitive edges drive steady earnings growth

Rating: BUY | **TP:** HK$525.0 (N/A)

Analysts: Saiyi He/Wentao Lu/Frank Tao

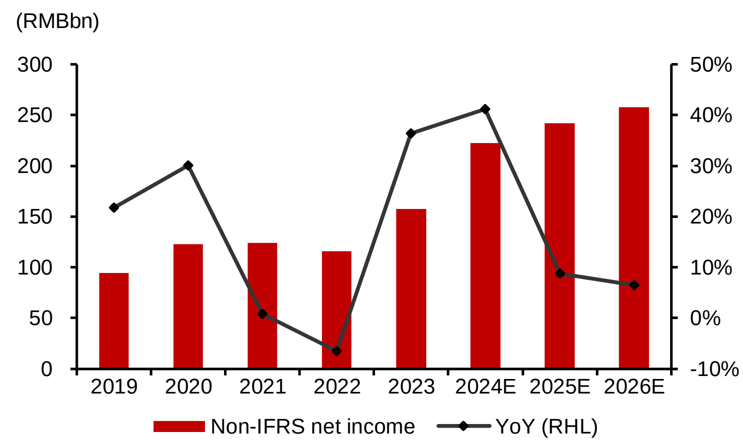
- **Investment Thesis:** Tencent's competitive edges remain solid. We expect Tencent to deliver sustainable earnings growth amid macro uncertainty and intensifying competition. We expect: 1) higher-margin businesses like Video Account and Mini Games will bring incremental monetization opportunities and support GPM expansion; 2) games revenue growth to further accelerate in 4Q24E, backed by monetization revamp of key legacy titles and incremental contribution of new games like *DnF Mobile*; 3) enhancing shareholder return, with total share repurchase amount more than doubled to >HK$100bn (c.3% of mkt cap).
- **Our View:** We are upbeat on Tencent's 4Q24E earnings growth outlook, supported by the reacceleration of games revenue growth and incremental revenue contribution from high-margin businesses (e.g. Video Account and Mini Games). In the longer term, China's potential policy stimulus to boost economic and consumption may benefit Tencent's FBS and advertising business.
- **Catalysts:** 1) enhanced Video Account monetization supports better-than-expected revenue growth and GPM expansion; 2) DnF Mobile and international game business drive stronger-than-expected game revenue growth in 4Q24E; 3) increasing share repurchase and dividend to enhance shareholder return.
- **Valuation:** Our SOTP-derived TP is HK$525.0, comprising HK$199.9/29.4/110.3/82.5/22.0 for games/SNS/ads/Fintech/cloud business and HK$12.7/68.4 for net cash/strategic investments.
- **Link to latest report:** Tencent (700 HK) - Solid core businesses; upbeat on long-term development of e-commerce and AI

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	609,015	655,437	706,781	755,837
Gross margin (%)	48.1	53.1	53.9	54.4
Adj. net profit (RMB mn)	157,688	222,622	241,980	257,561
EPS (Adjusted) (RMB)	16.66	22.99	24.99	26.60
Consensus EPS (RMB)	16.66	22.41	24.73	27.39
Non-GAAP P/E (x)	28.3	20.5	18.9	17.7

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Kuaishou (1024 HK) – Eyes on AI development

Rating: BUY | **TP:** HK$85.6 (30% upside) Analyst: Saiyi He/Wentao LU/Frank Tao

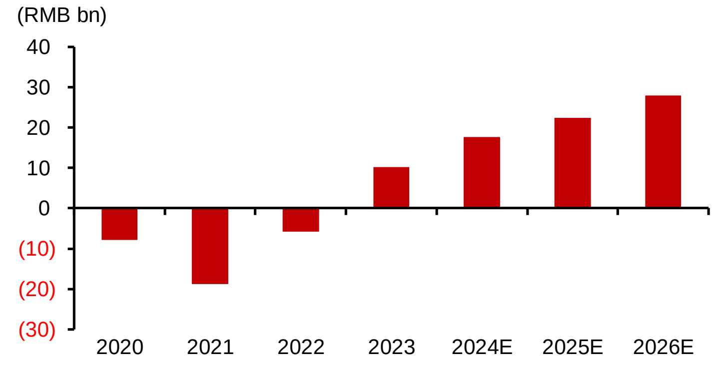
- **Investment Thesis:** We expect Kuaishou to benefit from: 1) AI development and monetization: Kling AI is now one of the leading video models and we also expect it to accelerate monetization in FY25. Monthly gross billings of Kling AI has surpassed RMB10mn in 3Q24; 2) consumption recovery: we expect Kuaishou's core commercial business revenue (online marketing & other services) to maintain solid YoY growth of 16% in FY25E, supported by mild consumption recovery and AI empowerment. Kuaishou current valuation of 11x FY25E PE remains attractive given its strong earnings outlook in FY25/26E.
- **Our View:** We expect 4Q24 financial results to be largely in line with consensus estimate, with total revenue/non-IFRS net income up by 10% /7% YoY respectively. Kuaishou's update on AI development and FY25 business outlook will be key catalysts to watch
- **Catalysts:** 1) Kling AI development and AIGC marketing development; 2) positive FY25E outlook of core commercial business; 3) improving margin profile and shareholder return.
- **Valuation:** Our SOTP-derived TP is HK$85.6, comprising HK$18.2/21.2/40.2 for live streaming/external marketing/e-commerce business and HK$5.9 for net cash.
- **Link to latest report:** Kuaishou (1024 US) - Inline 3Q24 results; resilient core commercial business

Financials and Valuations

(YE 31 Dec)	FY23	FY24E	FY25E	FY26E
Revenue (RMB mn)	113,470	127,293	142,209	154,855
Adj. net profit (RMB mn)	10,271.0	17,664.1	22,393.6	27,930.4
EPS (Adjusted) (RMB)	2.38	4.09	5.19	6.47
Consensus EPS (RMB)	2.38	4.05	5.14	6.16
Non-GAAP P/E (x)	24.7	14.4	11.3	9.1

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Adjusted net income



Source: Company data, CMBIGM estimates

Trip.com (TCOM US) – Entry point could appear post market correction

Rating: BUY **| TP:** HK$70.0 (5% upside)

Analysts: Saiyi He/Frank Tao/Wentao LU

- **Investment Thesis:** 1) both domestic and outbound travel are seeing resilient volume growth, and Trip.com could sustain higher than industry average revenue growth driven by its strong customer services and supply chain capability, in our view; 2) we are constructive on Trip.com's global expansion potential, especially in the Asian market, as the current online penetration remains low, and TCOM has established strong supply chain and customer services capabilities to aid business expansion.

- **Our View:** We believe the 11% drop in share price post results has fully priced in near-term concerns on potential margin contraction in 2025E driven by incremental investment to support international expansion, and we are positive that TCOM can deliver upbeat financial results in the coming quarters aided by its continuously enhanced supply chain capabilities, as well as operating efficiency gains from domestic and outbound business.

- **Catalysts:** 1) better-than-expected outbound travel revenue growth; 2) better-than-expected earnings growth driven by both better-than-expected operating efficiency gains from domestic and outbound travel business aided by solid revenue growth, as well as driven by narrower-than-expected operating loss generated from pure international business aided by strict ROI target.

- **Valuation:** Our DCF-based TP is US$70.0, which translates into 20x FY25E PE.

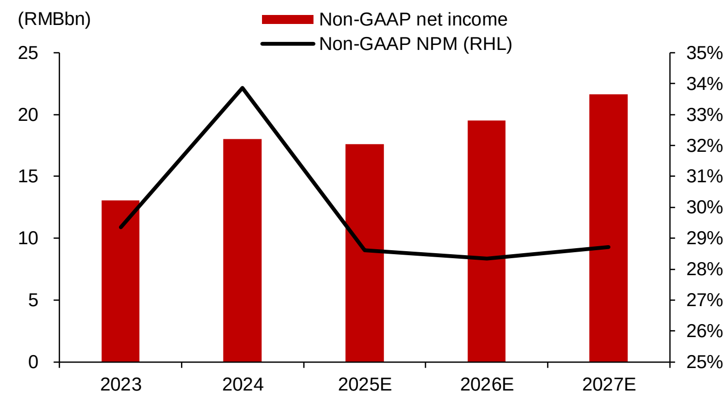
- **Link to latest report:** Trip.com (TCOM US) – Entry point could appear post market correction

Financials and Valuations

(YE 31 Dec)	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	53,377	61,591	68,961	75,402
YoY growth (%)	19.8	15.4	12.0	9.3
Net profit (RMB mn)	17,067.0	15,563.3	17,412.6	19,521.2
Adjusted net profit (RMB mn)	18,041.0	17,595.8	19,515.9	21,632.4
YoY growth (%)	38.0	(2.5)	10.9	10.8
EPS (Adjusted) (RMB)	25.84	24.76	27.46	30.44
P/E (x)	16.0	17.5	15.7	14.0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: TCOM: non-GAAP net profit



Source: Company data, CMBIGM estimates

Greentown Service (2869 HK) – Solid 1H24 against industry headwinds

Rating: BUY **| TP:** HK$6.13 (34% upside)

Analysts: Miao Zhang/ Bella Li

- Greentown Service's revenue/core OP went up 11/26% YoY in 1H24, in-line with/beating market expectations buoyed by a stable parentco, robust third-party expansion, and a diversified VAS business. Core OPM expanded 1.2ppts YoY to 9.8%, resulting from a +0.6ppt GP margin hike and a 0.6ppt decrease in SG&A ratio attributable to efficient cost control. Amid intensified competition in third-party expansion, the company delivered steady conversion from parentco projects to mitigate headwinds. Despite a challenging industry environment, it still anticipates core OP growth >20% & cash growth >15% in 2024E. We like Greentown Service for its high independence, stable parentco, diversified VAS business and recovering cash flow.
- **1H24 revenue in-line, earnings beat.** Greentown Service delivered 10.6%/25.8% YoY growth in revenue/core OP in 1H24 (core OP= GP-SG&A), with rev. in line and core operating profit beating market expectation. This performance was driven by 1) steady growth of 14.6% YoY in Basic PM revenue; 2) positive growth in VAS to both owners and non-owners against the negative trends among peers, attributed to its robust parentco and diversified VAS business; 3) efficient cost management leading to a 0.6ppt improvement in GPM and 0.6ppt cut in SG&A ratio, which combined enhanced core OPM by 1.2ppts. Greentown Service lifted the guidance from >15% to >20% for full-year core OP growth. And the share incentive plan requires 60% growth over the next 3 years.
- **Parentco GFA conversion mitigates third party competition pressure.** The net increase in managed GFA from Greentown Real Estate surged 227% YoY compared to -42% from third parties (Figure 2), leading to Greentown RE's contribution in managed GFA rising to 18.2% in 1H24 from 14.8%/15.7% in 1H23/FY23. Total managed GFA increased 16% YoY with new contracted value up 3%, representing a steady APS hike and solid conversion from reserved GFA.
- **Expect 15% cash growth in FY24E.** Broad cash balance reached RMB 4.3bn, down -12% YoY, due to 1) accounts receivable increasing 24% from end-2023 to RMB 6.3bn, impacted by economic headwinds affecting owners' payment capabilities and property fee collections concentrating at year-end, and 2) active share buybacks consuming funds. The company expects AR growth to decelerate in 2H24 and will continue with proactive share repurchases, anticipating a 15% YoY increase in cash on hand by the end of 2024.
- **Valuation:** Given Greentown Service's high independence, stable parentco, and diversified VAS business, we maintain BUY rating with TP of HK$ 6.13 to reflect a better outlook than peers'. The TP represents 25x 2024E P/E. Risks: AR impairment, intensified competition.

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	14,856	17,393	19,364	21,838
YoY growth (%)	18.2	17.1	11.3	12.8
Net income (RMB mn)	547.5	605.4	724.6	867.7
EPS (RMB)	0.17	0.19	0.23	0.27
YoY growth (%)	(35.4)	11.7	19.7	19.7
Consensus EPS (RMB)	N/A	N/A	0.23	0.29
P/E (x)	17.8	15.9	13.3	11.1
P/B (x)	1.6	1.6	1.6	1.5
Yield (%)	3.0	4.5	5.3	6.3
ROE (%)	7.7	8.3	9.7	11.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Managed GFA breakdown

Managed GFA breakdown (mn sqm)	2021	2022	2023	1H22	1H23	1H24
Total	**304.1**	**381.4**	**448.4**	**349.3**	**414.5**	**481.7**
from Greentown RE	49.3	56.1	70.4	50.6	61.3	87.7
from third parties	254.8	325.3	378.0	298.7	353.2	394.0
YoY		*25%*	*18%*		*19%*	*16%*
from Greentown RE		*14%*	*26%*		*21%*	*43%*
from third parties		*28%*	*16%*		*18%*	*12%*
Mix %						
from Greentown RE	16%	15%	16%	15%	15%	18%
from third parties	84%	85%	84%	86%	85%	82%
Net increase of managed GFA	**53.6**	**77.3**	**67.0**	**45.2**	**33.6**	**33.3**
from Greentown RE	5.4	6.8	14.3	1.4	5.3	17.3
from third parties	48.2	70.5	52.7	43.8	27.8	16.0
YoY	*41%*	*44%*	*-13%*		*-26%*	*-1%*
from Greentown RE	*25%*	*25%*	*111%*		*281%*	*227%*
from third parties	*43%*	*46%*	*-25%*		*-37%*	*-42%*
Mix %						
from Greentown RE	10.1%	8.8%	21.4%	3.1%	15.7%	51.9%
from third parties	89.9%	91.2%	78.6%	96.9%	84.3%	48.1%

Source: Company data, CMBIGM

Xiaomi (1810 HK) – Solid execution of "Human x Car x Home" strategy

Rating: BUY **| TP:** HK$54.53 (N/A)

Analysts: Alex Ng/ Hanqing Li

▪**Investment Thesis:** Xiaomi is a global No.3 smartphone brand and smart hardware company connected by an IoT platform at its core. Xiaomi launched its first smart NEV in 2024, and we are positive on Xiaomi's unique "Human-car-home" ecosystem to drive NEV business upside.

▪**Our View:** We are positive on Xiaomi's FY24/25E outlook, 1) Smartphone: global share gains and an improving mix, backed by its flagship models and expansion in LATAM/EMEA/SEA; 2) IoT: China national subsidies, AI smart glasses and overseas expansion; and 3) Smart EV: strong backlog of SU7, launch of SUV YU7 and improving profitability. For smartphone, we expect Xiaomi's smartphone global market share gain to continue especially in China, Middle East, Africa and Southeast Asia. For Smart EV, Xiaomi guided FY25E annual delivery target of 300k units, and we estimate Xiaomi's 4Q EV shipments/ASP of 69k units/RMB 230k and a better GPM of 20.0% (vs 17.1% in 3Q24). Overall, we expect Xiaomi's adj. net profit to grow 34%/42% YoY in FY24/25E.

▪**Why do we differ vs consensus:** We are more positive on EV business profitability, other core business margin strength and operating efficiency improvement.

▪**Catalysts:** Near-term catalysts include YU7 SUV launch, smartphone/AIoT share gains, overseas expansion and EV order/delivery/profitability updates.

▪**Valuation:** Our SOTP-based TP of HK$54.53 implies 33.9x FY25E P/E, which reflects Xiaomi's business diversification with different growth profiles and visibility.

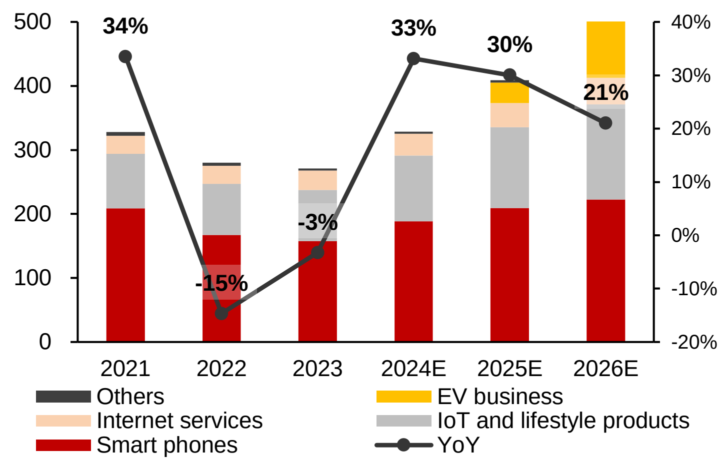
Link to latest report: Xiaomi (1810 HK)-4Q24 Preview: Expect another strong beat; Raise TP to HK$54.53

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	270,970	360,790	469,093	567,734
YoY growth (%)	(3.2)	33.1	30.0	21.0
Net profit(RMB mn)	19,273	25,845	36,688	45,514
YoY growth (%)	0.77	1.04	1.48	1.84
EPS (RMB)	125.7	34.6	42.0	24.1
Consensus EPS (RMB)	N/A	0.96	1.21	1.51
P/E (x)	58.7	43.7	30.7	24.8
P/B (x)	8.1	7.2	6.1	5.2
Yield (%)	11.7	14.0	16.9	17.7
ROE (%)	Net cash	0.0	Net cash	Net cash
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Xiaomi's revenue trend



Source: Company data, CMBIGM estimates

BYDE (285 HK) – Positive on multiple growth drivers ahead

Rating: BUY **| TP:** HK$48.66 (N/A)

Analysts: Alex Ng/ Hanqing Li

▪**Investment Thesis:** BYDE is a global leader in platform-based high-end manufacturing, focusing on smartphone/NB, new intelligent product, auto intelligent system and medical devices. Its major clients include Apple, Xiaomi, Huawei/Honor, BYD and other OEM brands. We believe BYDE will benefit from iPhone AI cycle, stable Android flagship demand, high-end NEV products and AI server momentum in FY25E.

▪**Our View:** We estimate FY24E revenue/NP growth of 36%/13% YoY and 4Q24E revenue/NP growth of 46%/49% YoY. Looking into 2025, we are positive on BYDE's outlook: 1) Apple: share gains in iPhone's components, order in new iPad models, Jabil's enhanced efficiency; 2) Android: stable growth backed by China national smartphone subsidy; 3) Auto: strong product offerings to BYD, such as suspension, thermal management and high-end ADAS following BYD's CNOA launch on 24 Dec; 4) AI server: ramp-up of OEM and component business (liquid cooling, power, CDU); 5) Robotics: Nvidia-backed AMRs for factory automation..

▪**Why do we differ vs consensus:** We are more positive on earnings synergies from Jabil's acquisition, iPad/iPhone cycles and AI server biz outlook.

▪**Catalysts:** Near-term catalysts include Honor/Huawei/Xiaomi shipment, and NEV/AI server products mass production.

▪**Valuation:** Our SOTP-based TP of HK$48.66 implies 15.5x FY25E P/E. We reiterate BUY given robust earnings CAGR of 31% in 2024-26E and business diversification.

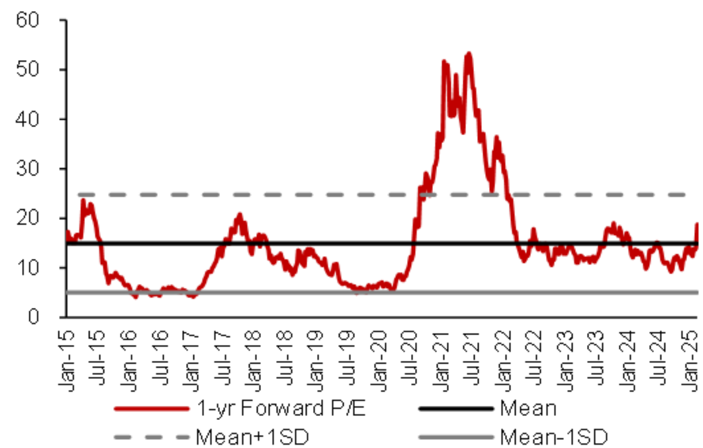
Link to latest report: BYDE (285 HK)- FY24E Preview: Riding on leading customers' growth momentum; Reiterate BUY

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	129,957	177,233	203,533	229,412
YoY growth (%)	21	36	15	13
Net profit (RMB mn)	4,041	4,550	6,436	8,100
EPS (RMB)	1.79	2.02	2.86	3.60
YoY growth (%)	118	13	41	26
Consensus EPS (RMB)	N/A	2.11	2.82	3.53
P/E (x)	25.4	22.6	16.0	12.7
P/B (x)	4.2	3.8	3.4	2.9
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	13.8	14.0	17.4	19.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

Fig: BYDE 12M forward P/E band



Source: Company data, CMBIGM estimates

Willsemi (603501 CH): Beneficiary of accelerated domestic AI capex and autonomous driving penetration; Maintain BUY, TP revised up to RMB176

Rating: BUY **| TP:** RMB176 (25% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment thesis:** We have recently added Willsemi as one of our top picks, given that it is regarded as a true beneficiary of 1) AI apps proliferation among edge devices, 2) accelerating penetration of ADAS/AD features on smart vehicles and 3) localization trend of semiconductors. The company's CIS products are crucial in key end markets, including mobile/laptops, automobiles, AR/VR glasses and other AI-enabled products. We project Willsemi's revenue to grow by 27% YoY to RMB33bn in 2025E, driven by 25%/40% YoY growth from mobile/auto CIS sales. Maintain BUY, with TP revised up to RMB176, corresponding to 41x 2025E P/E
- **Our view:** Willsemi's auto CIS sales to grow on 1) higher market growth (2024/25E: 3%/12%) from ADAS/AD democratization and 2) market share gains. AD penetration rate is expected to accelerate as BYD has recently announced it will equip its proprietary "God's Eye" ADAS across its entire fleet, including models below RMB100k (news). We project the auto CIS market to expand on greater camera shipment (10% more cameras installed per vehicle) and a mild benefit to ASP driven by resolution upgrade to 8MP. Based on our forecast, Willsemi became No.1 supplier in auto CIS market in 2024 by value, surpassing Onsemi (ON US, NR) for the first time (est. 37% vs. 34%).
- **Risks:** Potential risks include 1) worsening China-US trade relations, 2) heightened geopolitical tensions, 3) slower-than-expected R&D.
- **Valuation:** Maintain BUY, with TP adjusted to RMB 176, corresponding to 41x 2025E P/E.
- **Links to relevant reports:**

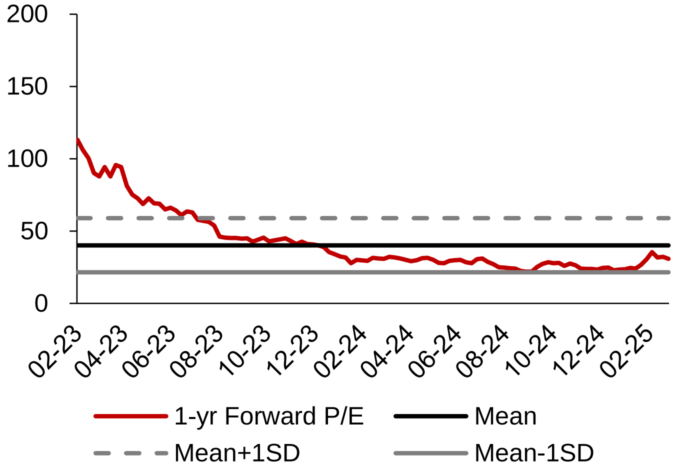
1. Willsemi (603501 CH) - True beneficiary of accelerating domestic AI innovation & autonomous driving penetration
2. Willsemi (603501 CH) - 3Q results in line with gradual recovery

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	21,021	25,791	32,655	39,525
YoY growth (%)	4.7	22.7	26.6	21.0
Gross margin (%)	21.8	30.0	32.2	32.2
Net profit (RMB mn)	556	3,268	5,108	6,485
YoY growth (%)	(43.9)	488.1	56.3	27.0
EPS (RMB)	0.47	2.75	4.29	5.45
P/E (x)	222.1	38.0	24.3	19.2

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Naura (002371 CH) – Semi localization theme to continue in 2025 amid escalating exports control

Rating: BUY | **TP:** RMB426.0 (N/A)

Analysts: Lily Yang/ Kevin Zhang

- **Investment thesis:** Naura released prelim FY24 results this week, with revenue expected to be in range of RMB27.6bn and RMB31.8bn, up 25%/44%. Mid-point revenue is expected to be RMB29.7bn (up 34.5%), lower than our/consensus forecasts of RMB30.9bn/RMB30.0bn by 3.8%/1.0%. FY24 NP is expected to be RMB5.2bn to RMB6.0bn, up 33%/53%. Mid-point NP is expected to be RMB5.6bn (up 43%), lower than our/consensus estimate of RMB5.8bn/RMB5.8bn by 4.2%/4.2%. FY24 NPM (mid-point) implies to be 18.8%, in line with our projection.
- **Our view:** Naura is our top pick for 2025. As geopolitical tension intensified, we remain positive for domestic SME suppliers on localization and expect the impact is mainly on the overseas side (est. US$9.4bn sales decline from China region for the top 5 overseas SME leaders, according to our analysis). Maintain BUY on Naura and TP is RMB426. We maintain our FY25/26E topline forecasts of RMB39.0bn and RMB48.4bn, suggesting 31%/24% YoY growth on top of the mid-point estimate of FY24.
- **Catalysts:** 1) Sooner-than-expected R&D breakthroughs; 2) stronger gov't support; 3) rapid recovery of end markets demand
- **Risks:** Potential risks include 1) worsening China-US trade relations, 2) heightened geopolitical tensions, 3) slower-than-expected R&D.
- **Valuation:** Maintain BUY, with TP unchanged at RMB426, reflecting 30x rollover 2025E P/E (vs. prev. 35.8x).

Link to relevant reports:

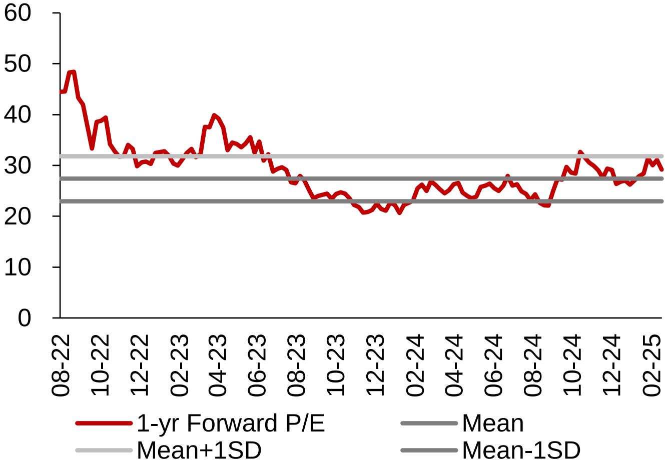
1. Naura Technology (002371 CH) - Solid Q3 earnings signal intact growth trajectory
2. Naura Technology (002371 CH) - Robust earnings with margin expansion; Maintain BUY
3. Naura Technology (002371 CH) - 1H24 profit alert points to solid 2Q results
4. Semi sector research - Global SME investment set to accelerate on tech advancements, China localization; Initiate Naura w/ BUY

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	22,079	30,856	39,030	48,443
YoY growth (%)	50.3	39.7	26.5	24.1
Operating profit (RMB mn)	4,448	7,085	9,285	12,183
YoY growth (%)	55.1	59.3	31.0	31.2
Net profit (RMB mn)	3,899	5,806	7,547	9,873
YoY growth (%)	65.7	48.9	30.0	30.8
EPS(RMB)	7.36	10.9	14.2	18.6
P/E (x)	61.0	39.8	30.6	23.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Innolight (300308 CH): Solid AI infra. capex to drive FY25 results; Buy the dip

Rating: BUY | **TP:** RMB186 (80% upside)

Analysts: Lily Yang/ Kevin Zhang

- Innolight released its FY24 prelim. results. The company expects NP to go up by 111.6%-166.9% to RMB4.6bn-5.8bn. Mid-point value of RMB5.2bn implies 139.2% YoY growth and is largely in-line with consensus and our estimate (3.2%/1.4% below, respectively). We continue to view Innolight as a key domestic beneficiary amid the ongoing AI infra. investment cycle driven by resilient demand for more computing power globally. Recent additional AI spending developments (i.e., $60-65bn from Meta, $12bn from ByteDance, and up to $500bn Stargate project) show intensifying capex in AI. We also believe the recent fear of CPO solution becoming mainstream is overly concerned. Recent share price pullbacks provide excellent buying opportunities.
- **Catalysts**: **800G to be the main growth driver in 2025**, while 1.6T to ramp up sequentially. In FY24, Innolight saw strong demand for its 400/800G products with product mix leaning heavier towards 400G. **We anticipate a more favourable product mix with a higher portion of 800G sales in 2025, with additional contribution from 1.6T products.** Multiple major AI spending developments fuel AI infra. buildout momentum: 1) $500bn AI initiative Stargate Project in the next four years, 2) $60-65bn capex planned by Meta for 2025E, up as much as 70% YoY compared to 2024 (Bloomberg), largely driven by AI spending increase and deployment of a new datacenter. ByteDance also considered US$12bn in AI capex for 2025. Reliance is reported to build the world's largest datacenter. These spending sprees indicate that demand for AI compute power is still in full swing with robust outlook. AI networking products, such as optical transceivers, should continue to enjoy the AI tailwind.
- **Risks:** 1) China-US trade tensions, 2) rising raw material costs, and 3) weaker-than-expected ramp-up speed.
- **Valuation:** Maintain BUY, with TP unchanged at RMB186, reflecting 26.9x rollover 2025E P/E (previously 30x 2024E P/E).

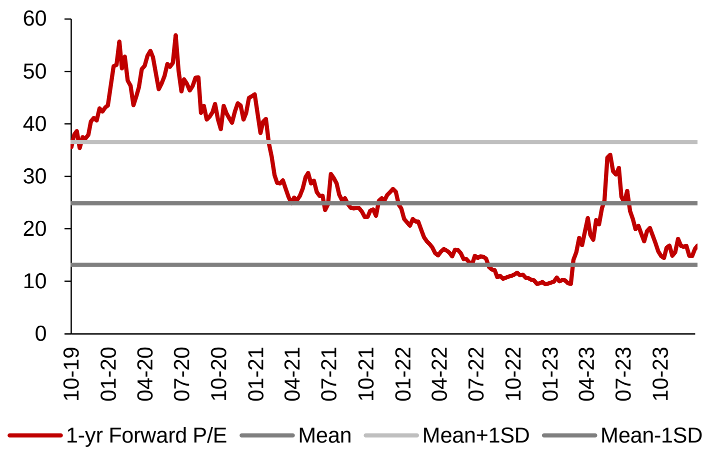
Link to relevant reports: Innolight (300308 CH) - Solid results despite supply chain constraints; expect for another strong year in 2025

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	10,718	24,269	34,149	41,026
YoY growth (%)	11.2	124.5	41.9	20.1
Gross margin (%)	33.0	33.3	32.3	31.4
Net profit (RMB mn)	2,174	5,471	7,906	9,589
YoY growth (%)	77.6	142.8	44.5	21.3
EPS (RMB)	2.00	4.81	6.95	8.43
P/E (x)	74.4	21.7	15.0	12.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Salesforce (CRM US) – Strong Data Cloud & AI momentum

Rating: BUY **| TP:** US$388 (38% upside) Analyst: Saiyi He/Wentao Lu/Frank Tao

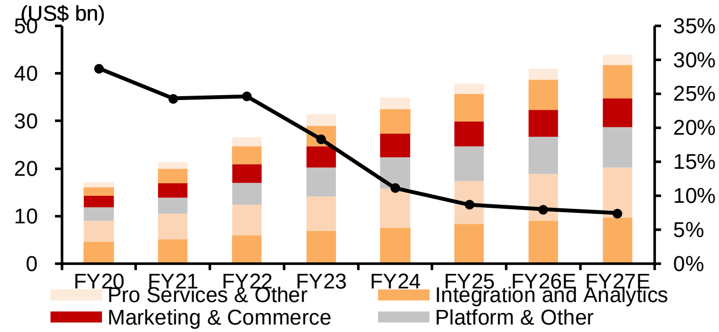
- **Investment Thesis:** Supported by Agentforce and Einstein, Salesforce is now one of the largest suppliers of enterprise AI in the world, with c.2tn Einstein transactions per week. We expect AI application to remain as the key investment theme in FY25 and Salesforce to be one of the key beneficiaries. The company's current valuation is attractive at 15x FY26E EV/EBITDA versus its peers and solid earnings growth outlook.
- **Our View:** Data Cloud & AI ARR reached US$900mn in 4QFY25, up by 120% YoY. Since its launch in Oct 2024, Agentforce has accumulated over 3,000 paid customers. The AI solution also drives cross-selling of its core and Data Cloud products. c.50% of Fortune 100 are both Data Cloud & AI customers of Salesforce, and all of the top 10 deals in 4QFY25 included Data Cloud. Management expected the Data Cloud & AI momentum to sustain in FY26E, but only assumed a modest revenue contribution of Agentforce in FY26E and a more meaningful revenue contribution in FY27E.
- **Catalysts:** 1) Improved monetization of AI solutions and solid sales momentum of AgentForce 2.0; and 2) enhanced margin outlook on efficiency improvement.
- **Valuation:** Our target price is US$388.0 based on 21x FY26E EV/EBITDA. Our target EV/EBITDA is at a discount to the sector average (23x),
- **Link to latest report:** Salesforce (CRM US) – Conservative guidance weighs on sentiment; strong Data Cloud & AI momentum

Financials and Valuations

(YE 31 Dec)	FY24A	FY25E	FY26E	FY27E
Revenue (US$ mn)	37,895	40,933	43,970	46,985
Adjusted NP (US$mn)	9,930.0	10,990.8	12,237.5	13,450.5
YoY growth (%)	22.8	10.7	11.3	9.9
EPS (Adjusted) (US$)	10.32	11.30	12.58	13.82
Consensus EPS (US$)	10.32	11.20	12.75	14.56
P/E (x)	46.2	41.8	35.8	31.5

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Salesforce: revenue and YoY



Source: Company data, CMBIGM estimates

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