CMBI Research Focus List

Our best high conviction ideas

22 Apr 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) FY24A	P/E (x) FY25E	P/B (x) FY24A	ROE (%) FY24A	Yield FY24A	Analyst
Long Ideas														
Geely Automobile	175 HK	Auto	BUY	20.2	209.4	15.50	23.00	48%	10.30	11.70	2.00	19.9	1.6%	Shi Ji/ Wenjing Dou
Xpeng Inc.	XPEV US	Auto	BUY	17.3	258.5	18.20	28.00	54%	N/A	N/A	N/A	N/A	N/A	Shi Ji/ Wenjing Dou
Zoomlion	1157 HK	Capital Goods	BUY	8.4	12.0	5.37	7.40	38%	11.70	9.80	0.80	6.2	6.0%	Wayne Fung
Anta	2020 HK	Consumer Discretionary	BUY	32.3	152.9	89.25	119.08	33%	15.80	18.10	3.90	27.6	2.6%	Walter Woo
Luckin Coffee	LKNCY US	Consumer Discretionary	BUY	8.5	91.4	30.01	38.51	28%	23.80	15.60	5.30	25.8	0.0%	Walter Woo
Yum China	9987 HK	Consumer Discretionary	BUY	15.8	28.4	328.00	484.83	48%	18.80	15.50	N/A	13.5	1.6%	Walter Woo
Proya	603605 CH	Consumer Staples	BUY	4.2	50.0	77.70	133.86	72%	21.00	17.60	5.90	30.8	2.2%	Miao Zhang/ Bella Li
CR Beverage	2460 HK	Consumer Staples	BUY	4.4	10.2	14.30	18.61	30%	17.00	13.70	2.30	18.00	3.6%	Miao Zhang/ Bella Li
BeiGene	ONC US	Healthcare	BUY	26.6	126.2	229.22	359.47	57%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
Innovent	1801 HK	Healthcare	BUY	10.5	91.1	49.65	61.71	24%	N/A	N/A	N/A	N/A	N/A	Jill Wu/ Andy Wang
PICC P&C	2328 HK	Insurance	BUY	39.8	66.6	13.88	15.80	14%	N/A	N/A	1.10	13.0	4.1%	Nika Ma
Alibaba	BABA US	Internet	BUY	263.0	4007.6	110.15	157.00	43%	24.40	13.60	N/A	N/A	N/A	Saiyi He/ Frank Tao/ Wentao Lu
Tencent	700 HK	Internet	BUY	544.9	2384.8	459.40	625.00	36%	17.50	16.10	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Kuaishou	1024 HK	Internet	BUY	27.8	504.5	50.05	80.00	60%	11.20	9.90	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao
Trip.com	TCOM US	Internet	BUY	36.1	281.3	55.25	70.00	27%	16.00	17.50	N/A	N/A	N/A	Saiyi He/Frank Tao/Wentao LU
Greentown Service	2869 HK	Property	BUY	1.8	2.9	4.41	6.13	39%	18.30	15.30	2.10	9.7	3.8%	Miao Zhang/ Bella Li
Xiaomi	1810 HK	Technology	BUY	143.5	2098.3	42.90	59.52	39%	34.60	24.90	5.90	14.4	N/A	Alex Ng/ Hanqing Li
BYDE	285 HK	Technology	BUY	9.3	157.6	31.90	47.10	48%	15.30	11.00	2.40	13.2	0.0%	Alex Ng/ Hanqing Li
Naura	002371 CH	Semi	BUY	33.2	376.5	456.38	512.00	12%	39.40	30.30	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
BaTeLab	2149 HK	Semi	BUY	0.4	0.4	50.00	69.50	39%	9.00	6.90	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Willsemi	603501 CH	Semi	BUY	20.8	490.2	124.73	176.00	41%	44.70	28.90	N/A	N/A	N/A	Lily Yang/ Kevin Zhang
Salesforce	CRM US	Software & IT services	BUY	227.0	2181.8	236.26	388.00	64%	70.10	46.20	N/A	N/A	N/A	Saiyi He/ Wentao Lu/ Frank Tao

Source: Bloomberg, CMBIGM. Data as of 22/4/2025 9:30 a.m.

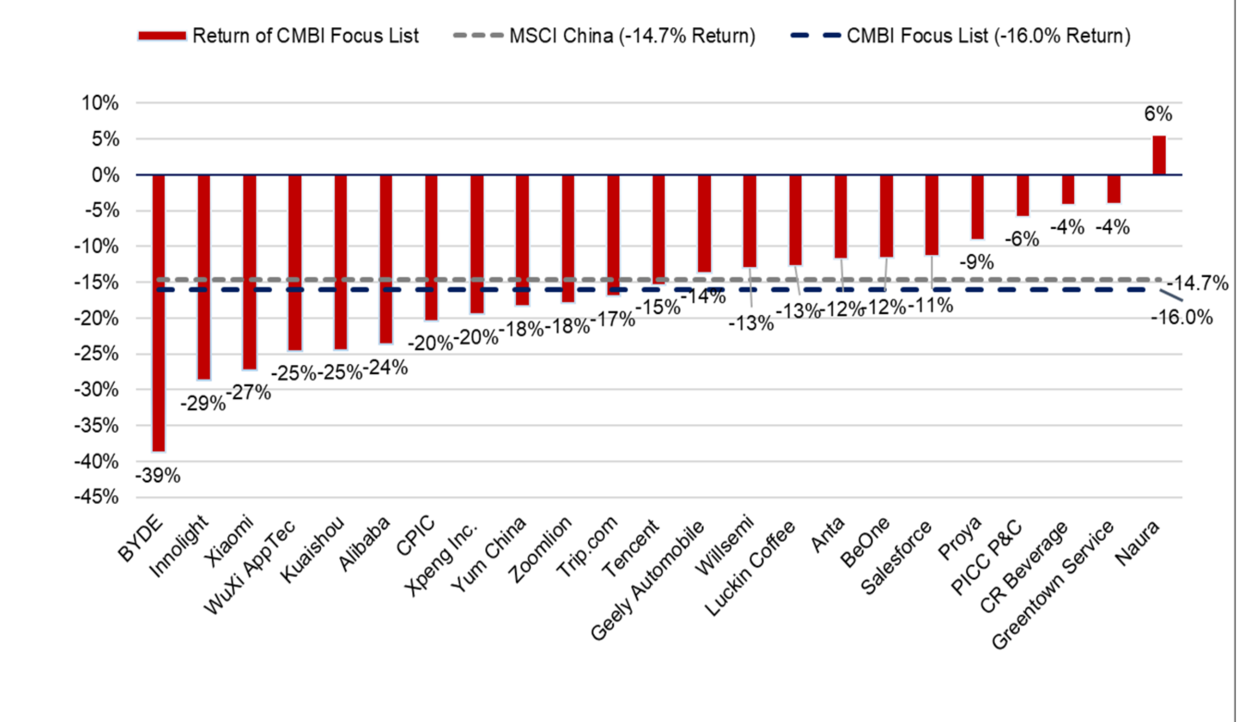
Latest additions/deletions from CMBI Focus List

Company	Ticker	Sector	Rating	Analyst	Rationale
Additions					
Innovent	1801 HK	Healthcare	BUY	Jill Wu/Andy Wang	1) Innovent's strong fundamentals are appealing, and we expect the company to achieve sustainable profitability driven by strong product sales and improved operating efficiency. 2) Near-term catalysts could drive stock price increases, i.e. the approval of the obesity drug mazdutide expected between June and July this year, and the release of key clinical data for the IL2/PD-1 asset IBI363 at the upcoming ASCO meeting in June. 3) The company's valuation remains attractive, with a current peak sales multiple of just 2.4x.
BaTeLab	2149 HK	Semiconductors	BUY	Lily Yang/ Kevin Zhang	We add BaTeLab because 1) it is in the center of the growing trend of semi supply chain domestication in China, 2) its valuation is attractive, and 3) fundamentals should remain intact despite escalating tariff tensions between the US and China as the company generates all of its revenue in China.
Deletions					
WuXi AppTech	603259 CH	Healthcare	BUY	Jill Wu/ Benchen Huang	We remove WuXi AppTec due to our concerns on potential impacts from tariffs on the Company’s operations, given the US is the Company’s largest revenue source (63% in 2024).
Innolight	300308 CH	Semiconductors	BUY	Lily Yang/ Kevin Zhang	We remove Innolight because it is impacted by the US reciprocal tariff as it has a large base of overseas customers. The company’s earnings, however, has proved resilient as its mid-point net profit is expected to grow by 55.5% YoY in 1Q25 per mgmt.
CPIC	2601 HK	Insurance	BUY	Nika Ma	We remove CPIC for potential concerns on the risk of earnings from the US tariff escalation and dividend visibility over the next 12 months. Based on our FY24 sensitivity analysis, another 50bps long-term investment return and RDR cut would drag the insurer’s NBV/Life EV/Group EV by 30%/12%/9%. We expect the earnings forecast could be subject to higher risks of downside revision due to a lack of predictability over equity market fluctuations and potentially lower bond yields given the expected upcoming stimulus policies.

Source: CMBIGM

Performance of our recommendations

- In our last report dated 18 Mar 2025, we highlighted a list of 23 long ideas.
- The basket (equal weighted) of these 23 stocks underperformed MSCI China index by 1.3ppts, delivering -16% return (vs MSCI China -14.7%).
- 11 out of the 23 stocks outperformed the benchmark.



Source: Bloomberg, CMBIGM; Note: Stock performance from 18 Mar 2025 to 17 Apr 2025

Long Ideas

Geely Automobile (175 HK) – Economies of scale lays foundation for FY25 profit

Rating: BUY | TP: HK$23.00 (48% upside) Analysts: Shi JI/ Wenjing DOU

- **1Q25 earnings to beat some investors' expectation.** Geely announced its preliminary 1Q25 results on 11 Apr. Its 1Q25 net profit could surge 220%-270% YoY to RMB5.2bn-5.8bn, excluding gains from restructuring of Zeekr and Lynk & Co. Excluding the FX gains, we believe its core earnings could increase QoQ compared with RMB2.95bn in 4Q24 (our estimates, excluding gains from formation of Horse JV and FX losses), with earnings per vehicle rising QoQ to RMB4,700-4,800. That should beat some investors' expectation amid an intensified price war.
- **FY25 outlook.** We expect Geely's FY25E sales volume to rise 26% YoY to 2.74mn units, following strong momentum in 1Q25. Compared with management's guidance, we are more positive about Geely and Galaxy brands with a forecast of 2.13mn units, following the success of the recent new models, but a bit concerned about Zeekr (0.27mn units) and Lynk & Co (0.34mn units). We project FY25E GPMs for Galaxy and Geely brands to widen by 3.2ppts YoY and 0.3ppts YoY, respectively, taking greater economies of scale, lowered export portion and rising competition into consideration. Therefore, we project Geely's overall GPM to narrow by 0.4ppts YoY to 15.5% in FY25E, despite management guidance of a YoY improvement. On the other hand, we expect impairment and share-based payment to decline significantly in FY25E. That, along with a possible forex gain, could lift its FY25E net profit.
- **Valuation/Key risks.** We maintain our FY25E net profit estimates of RMB14.6bn, rising 94% YoY excluding gains from restructuring. We maintain our BUY rating with target price of HK$23.00, based on our sum-of-the-parts valuation. We value Zeekr at 0.6x our FY25E core revenue, which implies US$8.5bn for Zeekr's 100% equity valuation. We value Geely's all other businesses excluding Zeekr at 12x FY25E P/E.

Links to latest reports:

1. Geely Automobile (175 HK) - Economies of scale lays foundation for FY25 profit
2. Auto - Price war to intensify amid AI arms race

Financials and Valuations

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E
Revenue (RMB mn)	179,204	240,194	342,845	392,625
YoY growth (%)	21.1	34.0	42.7	14.5
Net profit (RMB mn)	5,308.4	16,632.4	14,636.0	16,083.9
YoY growth (%)	0.9	213.3	(12.0)	9.9
EPS (Reported) (RMB)	0.53	1.65	1.45	1.58
P/E (x)	32.2	10.3	11.7	10.8
P/B (x)	2.1	2.0	1.7	1.6
Yield (%)	1.2	1.6	3.1	3.3
ROE (%)	6.8	19.9	15.7	15.2
Net gearing (%)	(38.8)	(45.9)	(56.5)	(63.5)

Source: Company data, Bloomberg, CMBIGM estimates

Xpeng Inc. (XPEV US/9868 HK) – New model cycle + Overseas + AD + Robot

Rating: BUY **| TP:** US$28.00/HK$110 (54% upside for XEPV)   Analysts: Shi JI/ Wenjing DOU

- **Strong model cycle with overseas expansion to lift FY25-26E sales volume and profit.** We are of the view that Xpeng's strong sales volume in 1Q25 could extend into the rest of 2025, as it still has a plethora of new models in the pipeline. We expect its FY25E sales volume to more than double YoY to 440,000 units. We also project its vehicle margin to widen from 10.0% in 4Q24 to 11.3% in FY25E. We estimate a quarterly breakeven sales volume to be 130,000-140,000 units amid the current product mix. Therefore, we expect Xpeng to achieve breakeven in 4Q25E. New models in FY25E would have a full-year contribution in FY26E, which leads our FY26E sales volume forecast to 600,000 units. We project FY26E net profit to be RMB1.2bn, taking possibly higher R&D for robots and other AI projects into consideration.
- **Early mover in robot with AI capabilities to lift valuation**. Most questions during its earnings call and post-earnings NDRs focused on autonomous driving (AD) and robot, both of which are related to AI capabilities. We are of the view that automakers with superb AD technologies are naturally strong competitors in the robot industry. Xpeng's early move in robot could make it even more competitive.
- **Valuation/Key risks.** We maintain our BUY rating and target price of US$28.00/HK$110, based on 1.8x our revised FY26E P/S. We roll over our valuation multiple, as we believe FY26E could better reflect Xpeng's strong model cycle when new models have full-year contribution. We think a valuation that is slightly higher than peers and previous multiple is justified given its leading AI capabilities and better outlook for humanoid robots than before. Key risks to our rating and target price include lower sales volume and/or GPM than we expect, slower monetization timeline for robot and a sector de-rating.

Financials and Valuations

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E
Revenue (RMB mn)	30,676	40,866	79,177	106,967
YoY growth (%)	14.2	33.2	93.7	35.1
Gross margin (%)	1.5	14.3	15.5	15.6
Operating profit (RMB mn)	(10,889.4)	(6,658.1)	(3,009.6)	(483.2)
Net profit (RMB mn)	(10,375.8)	(5,790.3)	(1,718.1)	1,229.4
EPS (Reported) (RMB cents)	(595.99)	(306.14)	(90.12)	63.98
P/S (x)	5.5	4.1	2.1	1.6
P/B (x)	N/A	N/A	N/A	138.9

Source: Company data, Bloomberg, CMBIGM estimates

Links to latest reports:

1. Xpeng Inc. (XPEV US/9868 HK) - New model cycle + Overseas + AD + Robot;
2. Auto - Price war to intensify amid AI arms race

Zoomlion (1157 HK) – Good entry opportunity after pullback; Still positive on the structural overseas growth

Rating: BUY | **TP:** HK$7.4 (38% 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 near-term catalyst.

- **Our View:** Zoomlion's 2024 results were weaker than our expectation, due to a slowdown of overseas revenue growth (14%) in 4Q24, reduction of other income, and increase in inventory turnover days. We remain positive on Zoomlion, as : (1) overseas market expansion will be accelerated; (2) earth-working, mining, and agricultural machinery will continue to be growth drivers; (3) share-based expenses, which surged 2.1x YoY to RMB866mn, is expected to drop >50% in 2025; (4) other operating expenses are expected to be on a downtrend.

- **Where do we differ vs consensus:** Our earnings forecast in 2025E/26E is -12%/-18% versus consensus. That said, we believe the low valuation at present offers some buffer for earnings risk.

- **Catalysts:** (1) resumption of share buyback after 1Q25 results; (2) recovery of overseas sales

- **Valuation:** Our H-share TP of HK$7.4 is based on 30% discount to our A-share TP (RMB9.9, 19.5x, equivalent to the five-year average historical P/E of 15x plus 1SD).

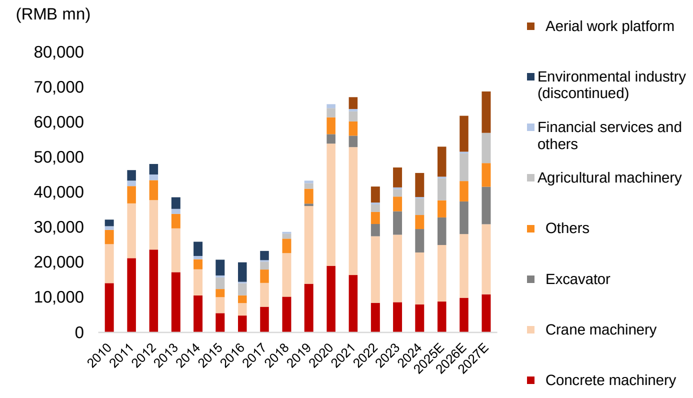
Link to latest report: 2024 results below expectation; Still positive on the structural overseas growth trend

Financials and Valuations

(YE 31 Dec)	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	45,478	52,999	61,848	69,277
YoY growth (%)	-3.4	16.5	16.7	12.0
Core net income (RMB mn)	3,521	4,177	4,705	5,229
Core EPS (RMB)	0.42	0.51	0.57	0.63
YoY growth (%)	-1.3	19.2	12.7	11.1
Consensus EPS (RMB)	N/A	0.58	0.70	N/A
EV/EBIDTA (x)	10.0	8.1	7.1	6.4
P/E (x)	11.7	9.8	8.7	7.9
P/B (x)	0.8	0.7	0.7	0.7
Yield (%)	6.0	6.8	7.6	8.5
ROE (%)	6.2	7.2	7.9	8.5
Net gearing (%)	20.7	25.3	28.9	31.3

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Zoomlion's revenue breakdown



Source: Company data, CMBIGM estimates

Anta (2020 HK) – Acquisition of Jack Wolfskin finally announced

Rating: BUY **| TP:** HK$119.08 (33% 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 at Dec 2023, it had over 12,000 stores, and generated sales of RMB 62bn and net profit of RMB 10bn 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:** After the slight beat in 1Q25 results and despite the weak macro and unfavorable weather YTD, we are still constructive on FY25E. 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, drivers are: 1) launch of new batches of better-designed products (just started in 4Q24), 2) further ramp-up of functional products (e.g. Tennis and Golf) and footwear, 3) speed-up in store revamp, 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.

- **Where do we differ vs consensus:** For FY25E/ 26E/ 27E, our net profit forecasts are -0%/ +2%/ +3% vs street, as we are more positive about retail discounts and operating leverage in near term.

- **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$119.08 based on 24x 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.

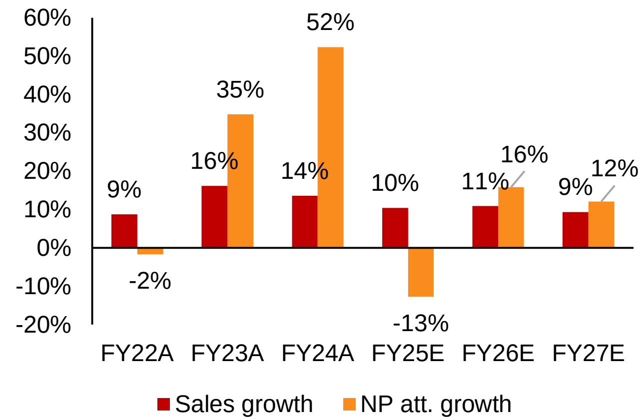
Link to latest report: Anta Sports (2020 HK) - Acquisition of Jack Wolfskin finally announced

Financials and Valuations

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E
Sales (RMB mn)	62,356	70,826	78,235	86,768
YoY change (%)	16.2	13.6	10.5	10.9
Net profit (RMB mn)	10,234.0	15,596.0	13,614.9	15,770.4
EPS - Fully diluted (RMB)	3.65	5.34	4.66	5.40
YoY change (%)	34.7	46.2	(12.7)	15.8
Consensus EPS (RMB)	N/A	4.830	5.442	6.035
P/E (x)	22.4	15.8	18.1	15.6
P/B (x)	4.3	3.9	3.5	3.1
Yield (%)	2.3	2.6	2.7	3.1
ROE (%)	23.8	27.6	20.8	21.5
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

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

Rating: BUY **| TP:** US$38.51 (28% upside)

Analyst: Walter Woo

- **Investment Thesis:** Luckin is the largest and fastest-growing coffee brand in China. It had 16,248 stores, sales of RMB 24.9bn and net profit of RMB 2.85bn and a 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-Mar 2025 is likely at 5%+ (despite the cold weather), thanks to: 1) a low base last year, 2) product category expansion (selling more milk tea), 3) reduction in competition, and 4) increase in ASP by cutting discount and promotions. For profitability, we expect GP margin to be stable, as Luckin could offset rising coffee bean prices by putting more efforts on vertical integration of the supply chain (more direct purchases, more bulk purchases, 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 staff, etc.).
- **Where 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 cost, brand equity, level of digitalization and its addictive, functional and staple product nature could fuel decent growth onwards. The stock is still cheap, as it is trading at around 16x FY25E P/E.

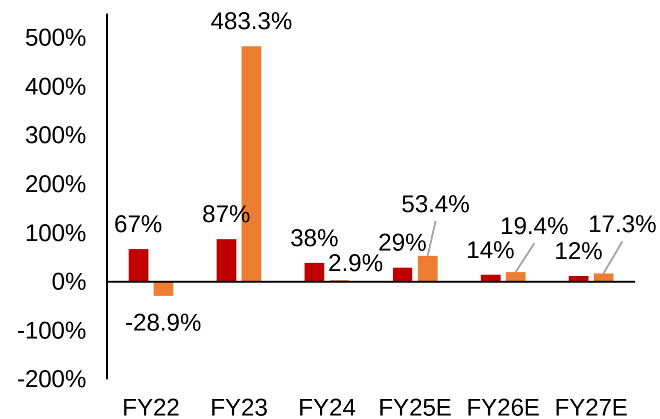
Link to latest report: Luckin Coffee (LKNCY US) - Turning around in styles after the strong beat

Financials and Valuations

(YE 31 Dec)	FY24A	FY25E	FY26E	FY27E
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	2.976	4.026	5.918
P/E (x)	23.8	15.6	13.1	11.2
P/B (x)	5.3	4.0	3.1	2.4
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 (48% upside)

Analyst: Walter Woo

- **Investment Thesis:** YUMC is the largest restaurant group in China by sales. It owned 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 the pandemic, thru market share gains and structural margin improvements, driven by: 1) innovative and successful product launches, 2) more automation 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) a favourable commodity price trend, 3) stable to improving OP margin. They also mentioned a positive SSSG during 2025 CNY. We are optimistic about the company's 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 cuts), 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 cost and sales per store drop as more small-sized and franchised stores are opened.
- **Where do we differ vs consensus:** For FY25E/ 26E/ 27E, our net profit forecasts are +3%/ +4%/ +10% higher from street as we are more optimistic in sales and more confident on OP margin.
- **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, which accounted for about 9% of current market cap .

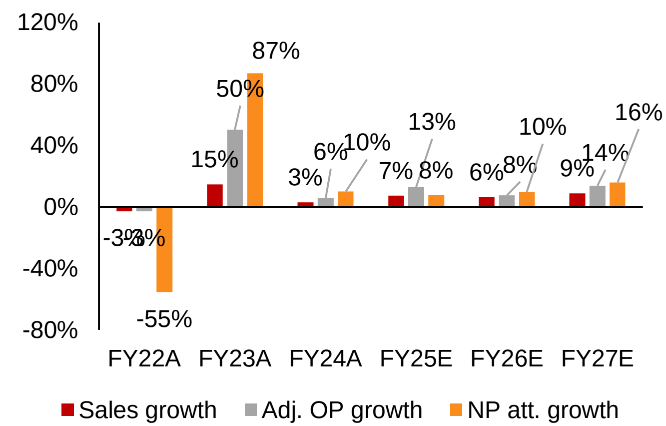
Link to latest report: Yum China (9987 HK) – Constructive FY25E outlook and guidance

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	2.82	3.08	3.57
YoY change (%)	18.6	20.8	9.3	16.0
Consensus EPS (RMB)	N/A	2.57	2.91	3.28
P/E (x)	18.8	15.5	14.2	12.3
P/S (x)	2.4	2.1	1.9	1.7
Yield (%)	1.6	1.8	1.9	2.2
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 (72% upside)

Analysts: Miao Zhang/ Bella Li

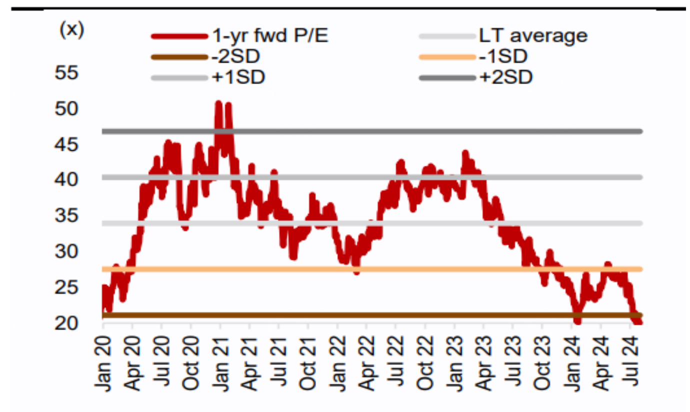
- Proya's 2Q24 results beat consensus with revenue/net profit +41%/37% YoY (1H24 revenue/net profit +37.9/40.5% YoY), mostly contributed by the accelerated sales growth of main brand to 37.7% YoY. The earnings ranked the top among peers. 1H24 GPM dropped by 0.7 ppt. and steadied at 69.8%, accompanied by the 3 ppt increase in selling expense ratio to 47%, due to the prolonged 618 promotion cycle, continuous rise in unit cost of livestreaming 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 slight upward trend.
- **Hero SKUs outperform consistently, benefiting earnings.** Proya has continued to consolidate the "hero product strategy", with 1H24 image promotion fees +50% YoY and selling expense ratio hiking 3 ppt YoY to 46.7%. The hero products have powered up re-purchase rates on both Tmall and Douyin (now at 40%+ and 30%+) and their contribution to 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 2024. Amid the challenging landscape, the company's priority of achieving steadfast market share in 11.11 may have increased marketing expense ratio in 2H, given Douyin's unfavourable mechanism and the high return rate circumstances have 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 segments achieved growth exceeding 42% YoY in 2Q24, demonstrating the all three major BUs are now on track of sustainable growth. Meanwhile, management reaffirmed the overseas expansion 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 steady growth overseas.
- **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	11,064	13,381
YoY growth (%)	37.8	39.5	24.3	20.9
Net income (RMB mn)	817.4	1,193.9	1,466.7	1,751.3
EPS (RMB)	41.9	46.1	22.9	19.4
YoY growth (%)	2.06	3.01	3.70	4.41
Consensus EPS (RMB)	N/A	N/A	3.90	4.81
P/E (x)	37.7	25.8	21.0	17.6
P/B (x)	8.7	7.0	5.9	4.9
Div yield (%)	0.8	1.8	2.2	2.6
ROE (%)	25.5	30.3	30.8	31.0
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) – Pleasant surprises from special dividends and target hike

Rating: BUY **| TP:** HK$ 18.61 (30% upside)

Analysts: Miao Zhang/ Bella Li

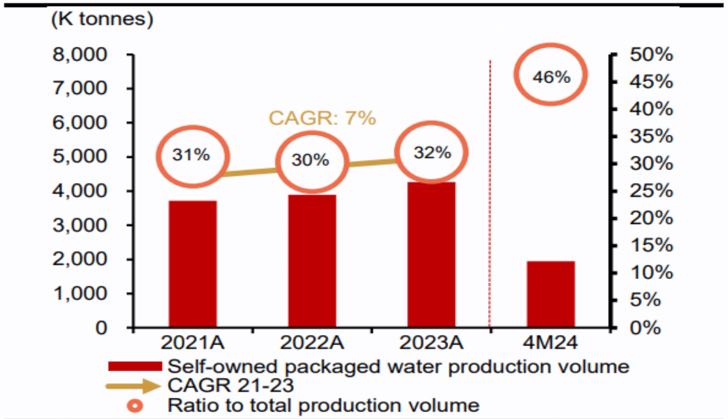
- CR Beverage's FY24 revenue was flat YoY at RMB13.5bn, missing CMBI's forecast by 6% due to stiffer packaged water competition and headwinds from the consumption climate, extreme weather in core areas and capacity limits of beverage products. Net profit rose 23.1% YoY to RMB1.6bn, or 25% excluding listing costs, beating CMBI's estimate by 4%, as gross margin rose 3pct to 47.3% on a higher proportion of self-owned capacity. The company has lifted its 2025 self-owned capacity proportion target to 70% from 60%, which should support sustained high growth in profit in our view. We like the company's solid position in the packaged water market and the growth potential of its beverage business. We project the company's revenue/net profit CAGR in FY25-27E to reach 9%/17%. Maintain BUY with TP of HK$18.61, based on 18x 2025E PE. Catalysts: hero products or M&A in beverage segment. Risks: Consumer sentiment plunges, price war, product quality/safety issues, raw material price hikes etc.
- **Revenue slightly missed, NP in line.** FY24 revenue was flat YoY, dragged by packaged water segment, which booked a 4.5% growth in retail sales, outpacing the industry's 2.5% (mkt share +0.4ppt to 18.8%), but ended up the year with a 3% decline in revenue due to both competitive pressures and network expansion necessitating price concessions to channels and outlets. Beverage revenue rose 31%, shy of the 40% guidance, impacted by weak consumer sentiment and capacity constraints. Net profit rose 23%, or 25% ex-listing costs, as self-owned capacity and lower raw material prices boosted gross margin by 2.7ppt to 47.3%.
- **Lifted self-owned capacity target to 70% by 2025.** The company's self-owned capacity proportion surged from 36% in FY23 to 50% in FY24. It aims to raise this to 70% by the end of the 14th Five-Year Plan period (2021-2025), up from the prior target of 60%. This signals a faster gross margin ramp-up in 2025 and sustained high capital expenditure.
- **Surprise in shareholder returns.** The company offers a 40% dividend payout ratio and has surprised the market with a 20% special dividend, contrary to expectations of prioritizing capital expenditure over dividend payout during the expansion stage. The company stated to maintain a stable dividend payout ratio going forward.

Financials and Valuations

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E
Revenue (RMB mn)	13,515	13,521	14,414	15,538
YoY growth (%)	7.1	0.0	6.6	7.8
Net income (RMB mn)	1,329.3	1,636.7	2,028.7	2,405.8
EPS (RMB)	34.3	23.1	23.9	18.6
YoY growth (%)	0.66	0.79	0.98	1.16
Consensus EPS (RMB)	N/A	N/A	0.82	0.94
P/E (x)	20.2	17.0	13.7	11.6
P/B (x)	3.6	2.3	2.2	1.9
Div yield (%)	0.0	3.6	2.9	3.5
ROE (%)	21.3	18.0	17.2	18.3
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

BeiGene (ONC US) – Strong FY25 guidance issued

Rating: BUY | **TP:** US$359.47 (57% 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 looks on track to achieve GAAP operating income breakeven and positive operating cash flow in FY25.
- **Our view:** We expect zanubrutinib (Zanu) to 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.
- **Where do we differ**: We expect BeiGene 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%).

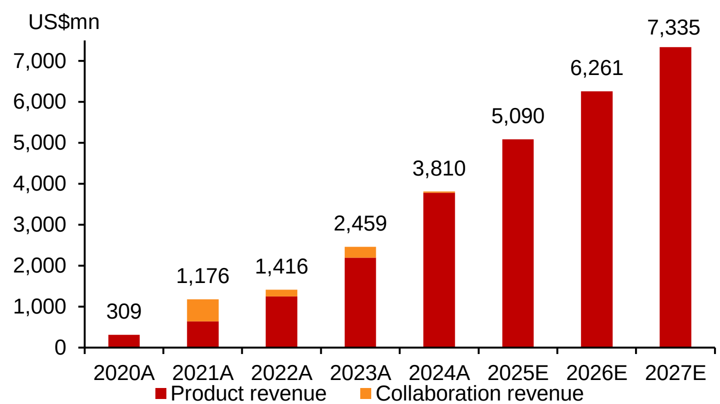
Link to latest report: BeOne (ONC US)- Strong FY25 guidance issued

Financials and Valuations

(YE 31 Dec)	FY25E	FY26E	FY27E
Revenue (US$ mn)	5,090	6,261	7,335
YoY growth (%)	34	23	17
Net profit (US$ mn)	131	694	1,336
EPS (US$)	1.23	6.50	12.52
Consensus EPS (US$)	1.48	5.67	9.48
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

Innovent (1801 HK) – Entering sustainable profitability with a global innovation engine

Rating: BUY | **TP:** HK$61.71 (24% upside)

Analysts: Jill Wu/ Andy Wang

- **Investment thesis:** To achieve sustainable profitability. Innovent recorded strong product sales growth in FY24, with total revenue reaching RMB9.42bn (+52% YoY), including RMB8.23bn in product sales (+44% YoY). Sintilimab's sales grew by 34% YoY to US$526mn, according to Eli Lilly. Innovent achieved profitability ahead of schedule in FY24, realizing full-year non-IFRS net profit of RMB332mn and non-IFRS EBITDA profit of RMB412mn. Looking ahead to FY25, driven by strong product sales and improved operating efficacy, mgmt projects continued non-IFRS EBITDA profitability, even excluding the US$80mn upfront payment from the DLL3 ADC out-licensing deal with Roche.
- **Our view:** Next-generation IO plus ADC, advancing toward global leadership in oncology. We see significant synergies between the Company's next-generation IO (IBI363) and its expanding ADC portfolio (Claudin18.2 ADC, DLL3 ADC, bispecific ADCs, dual-payload ADCs and APCs). We think IBI363 (PD-1/IL-2) has the potential to become a blockbuster next-generation IO therapy, targeting IO-treated and cold tumors. Data updates are anticipated at ASCO meeting in Jun, including PFS results from the 3mg/kg dose in IO-resistant sq-NSCLC. Innovent expects to initiate a Ph3 trial in this treatment setting this year. A Ph2 pivotal trial is underway comparing IBI363 to Keytruda in first-line IO-naïve melanoma. Furthermore, Innovent plans to initiate a Ph3 trial of IBI363 plus bevacizumab in third-line MSS CRC in 2025. Studies in the first-line treatment settings for the above-mentioned tumors are also ongoing.
- **Where do we differ**: Innovent has emerging blockbuster pipeline in CVM and beyond. Key CVM pipelines include IBI3016 (AGT siRNA), IBI3032 (GLP-1 small molecule), IBI3012 (GIP/GLP-1/GCG), and IBI3030 (PCSK9-GLP-1/GCG/GIP). In oncology, IBI3001 (EGFR/B7H3 ADC) has global FIC potential, while IBI3020 (CEACAM5 dual-payload ADC) is expected to file IND in 1H25. In autoimmune diseases, Ph1 readouts are expected in 2025 for IBI356 (OX40L) and IBI3002 (IL-4Rα/TSLP). Innovent targets five assets to enter Ph3 MRCTs by 2030, laying the foundation for globalization.
- **Valuation:** Driven by the anticipated near-term approval of mazdutide, continued profitability, and strong momentum across its innovative pipeline, we have lifted our DCF-based TP to HK$61.71 (WACC: 9.3%, terminal growth rate: 3.0%).

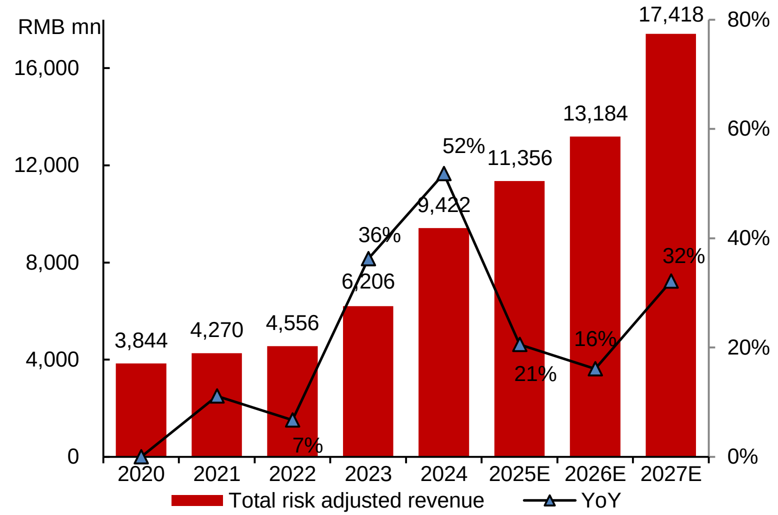
Link to latest report: Innovent Biologics (1801 HK) - Entering sustainable profitability with a global innovation engine

Financials and valuations

(YE 31 Dec)	FY25E	FY26E	FY27E
Revenue (RMB mn)	11,356	13,184	17,418
YoY growth (%)	20.5	16.1	32.1
Net profit (RMB mn)	446	757	2,053
EPS (RMB)	0.27	0.46	1.25
Consensus EPS (RMB)	0.21	0.79	1.55
R&D expenses (RMB mn)	(2,676)	(2,755)	(3,025)
Capex (RMB mn)	(300)	(300)	(300)

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Revenue trend



Source: Company data, CMBIGM estimates

PICC P&C (2328 HK) – Optimized CoR props up earnings visibility

Rating: BUY | **TP:** HK$15.80 (14% upside)   Analyst: Nika Ma

- **Investment Thesis:** PICC P&C reported a strong 1Q25 earnings alert, with net profit expected to surge 80%-100% YoY to RMB10.6bn-11.7bn, implying a QoQ upswing of 95.3%-117% vs 4Q24. 1Q25 net profit implied more than one-third (33%-37%) of last year's total net profit, driven by 1) a largely improved CoR with reduced catastrophic claims in 1Q25; and 2) optimized asset allocation structure shifting from FVTPL to FVOCI which helped smooth the volatilities from fair value movement to reach steady investment income growth amid market fluctuations.
- In FY25E, auto premiums could be driven by the rise of new vehicle sales and a higher penetration of NEVs, with avg. ticket per size to stabilize among peers. We expect full-year auto premium to grow around 5% and auto CoR to be 95.9% thanks to prudent expense management and higher share of household vehicles (FY24: 74.3%). Non-auto CoR could drop faster than that of auto as the insurer would re-address on expense controls and determines to scale down the loss-making corporate lines such as employer's liability insurance and credit insurance. We revise the non-auto CoR to 99.0%, with overall premium growth at ~6% YoY in FY25E.
- **Improved CoR enhances earnings visibility.** Mgmt. delivered strong CoR guidance of 1) auto/NEV CoR to be less than 96%/100%, and 2) non-auto CoR to be less than 99%. We expect FY25E CoR to be 97.1%, -1.7pct YoY, thanks to expense and loss ratio contractions. 1Q25 CoR could drop to below 95%, driven by significantly reduced NAT CAT claims in 1-2M25, as we mentioned in a recent note (*link*). UW profit could make up 34% of pre-tax profit in FY25 as we estimate.
- **Rising FVOCI assets leave a buffer to fair value movement.** The insurer has reallocated investment portfolio to FVOCI assets. In FY24, FVTPL/FVOCI assets comprised 18%/36% of the total. Stocks in FVOCI/FVTPL and equity funds were up 40%/20%/stable YoY to make up 5.8%/1.4%/2.2% of total portfolio. Proportion to FVOCI stocks has been rising which leaves a buffer for fair value impact to NAV.
- **Maintain BUY with TP at HK$15.80.** The stock is now trading at FY25E 1.06x P/BV with 13.6% ROE and a yield at 4.9%. Our TP implies FY25E 1.19x P/BV.
- **Downside risks:** A deteriorated CoR in 1H25; weaker-than-expected auto vehicle sales; prolonged low interest rate and increased stock market volatilities, etc.

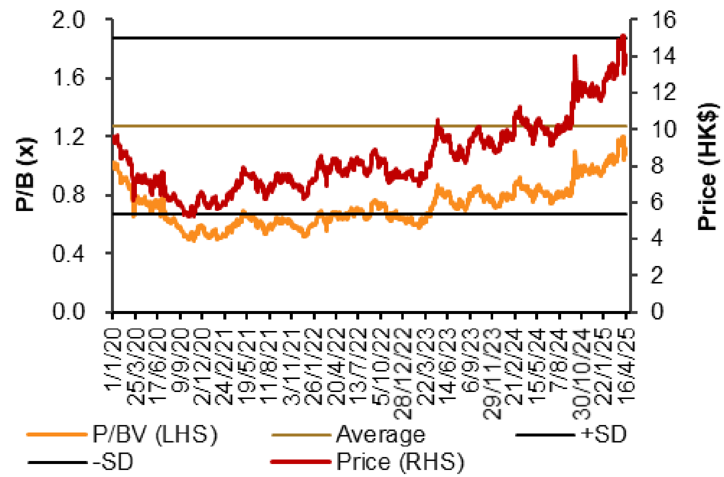
Link to latest report: PICC P&C (2328 HK) - 1Q25 CoR outperformed

Financials and Valuations

(YE 31 Dec)	FY24A	FY25E	FY26E	FY27E
Net profit (RMB mn)	32,173	36,062	39,179	42,484
EPS (RMB)	1.45	1.62	1.76	1.91
Consensus EPS (RMB)	N/A	1.51	1.66	1.84
Combined ratio (%)	98.8	97.1	96.6	96.2
P/B (x)	1.1	1.1	1.0	0.9
Dividend yield (%)	4.1	4.9	5.4	5.8
ROE (%)	13.0	13.4	13.6	13.9

Source: Company data, Bloomberg, CMBIGM estimates

Fig: PICC P&C: share price and P/B band



Source: Bloomberg, CMBIGM estimates

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

Rating: BUY | **TP:** US$157.0 (43% upside)

Analysts: Saiyi He/Frank Tao/Wentao Lu

- **Investment Thesis:** 1) Alibaba's fundamentals are 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 charges 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 buybacks, dividend payout, supporting strategically important new business growth to drive long-term shareholder value improvement), which should support a valuation rerating combined with the impact from increases in southbound fund flows post stock connect inclusion, in our view.

- **Our View:** We are becoming 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 flows 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 updates regarding fintech business investees.

- **Valuation:** SOTP-based valuation of US$157.0 per ADS, which translates into 16.9x FY25E PE.

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

Financials and Valuations

(YE 31 Dec)	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	941,168	996,979	1,090,438	1,173,876
Adjusted net profit (RMB mn)	158,359.0	160,514.4	179,726.0	205,294.5
EPS (Adjusted) (RMB)	62.77	65.59	75.72	88.25
Consensus EPS (RMB)	N/A	64.78	73.74	82.58
P/E (x)	24.4	13.6	11.9	10.0

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Alibaba: SOTP valuation

#	Segment (US$mn)	Valuation method	Rev (USDmn)	Adj. EBITA post tax	P/E (x)	EV/S (x)	Val. Rmb mn	Val. US$m	$/share	Value split
1	Taobao and Tmall Group	9.0x FY25E P/E; 20% tax rate on adjusted EBITA	62,177	21,538	9.0		1,395,665	193,842	80.8	51%
2	International Digital Commerce Group	1.5x FY25E EV/S	18,511			1.5	199,923	27,767	11.6	7%
3	Local Services Group	1.5x FY25E EV/S	9,303			1.5	103,146	14,326	6.0	4%
4	Cainiao Smart Logistics Network Limited	Last round transaction value; 63.7% shareholding	14,468				47,380	6,581	2.7	2%
5	Cloud Intelligence Group	4.0x FY26E EV/S on revenue before intersegment elimination	19,843			4.0	571,484	79,373	33.1	21%
6	Digital Media and Entertainment Group	0.7x FY25E EV/S, inline with iQIYI trading EV/S	2,996			0.7	15,098	2,097	0.9	1%
7	All others	1.0x FY25E EV/S	28,850			1.0	197,332	27,407	11.4	7%
	Total Alibaba business						**2,530,027**	**351,393**	**146.4**	
	INVESTMENTS									
1	Ant Group	Last round share buyback valuation; 33% shareholding					187,143	25,992	10.8	
2	Others	Market valuation					74,895	10,402	4.3	
	Total investment (with 30% holding discount)								**10.6**	7%
	Total (US$mn)							**376,869**	**157.0**	
	#s of diluted ADS (mn)								2,400	

Source: Company data, CMBIGM estimates

Tencent (700 HK) – Stepping up AI investment to unleash growth opportunities

Rating: BUY **| TP:** HK$625.0 (36% upside)

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. 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 maintain solid growth in 1H25E, backed by monetization revamp of key legacy titles and incremental contribution of new games; 3) stepped-up AI investment will drive marketing and cloud business revenue growth.
- **Our View:** Tencent 4Q24 total revenue grew by 11%, 3/2% ahead of our/Bloomberg consensus estimates, mainly due to better-than-expected growth of games & marketing revenue. Tencent plans to further step up AI investment in FY25 (RMB80-100bn capex with more R&D and marketing support to AI), which may drag the pace of margin expansion but unlock long-term growth opportunities of AI cloud, marketing and games businesses in our view.
- **Catalysts:** 1) stepped-up AI investment to drive marketing and cloud business revenue growth; 2) enhanced Video Account monetization supports better-than-expected revenue growth and GPM expansion; 3) Solid performance of legacy and new titles to drive stronger-than-expected game revenue growth; .
- **Valuation:** Our SOTP-derived TP is HK$625.0, comprising HK$261.1/45.1/119.7/90.9/25.2 for games/SNS/ads/Fintech/cloud business and HK$7.6/75.3 for net cash/strategic investments.

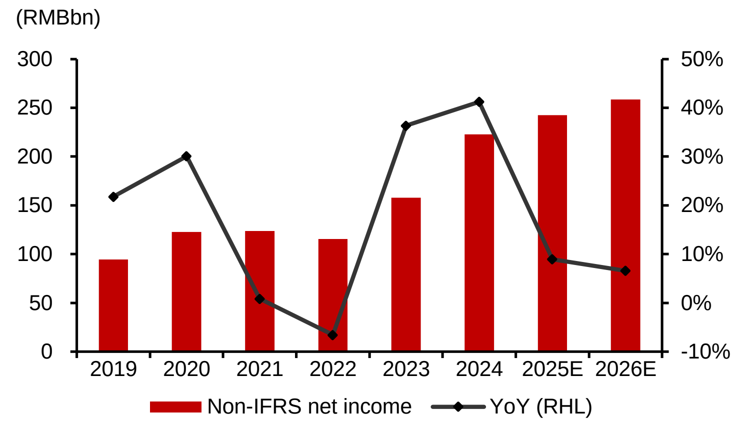
Link to latest report: Tencent (700 HK) - Stepping up AI investment to unleash growth opportunities

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	609,015	660,257	714,601	766,035
Gross margin (%)	48.1	52.9	53.8	54.2
Adj. net profit (RMB mn)	157,688	222,703	242,393	258,045
EPS (Adjusted) (RMB)	16.66	23.81	26.11	28.22
Consensus EPS (RMB)	16.66	23.81	24.91	27.54
Non-GAAP P/E (x)	24.8	17.5	16.1	15.1

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Non-IFRS net income growth



Source: Company data, CMBIGM estimates

Kuaishou (1024 HK) – Accelerating AI development to drive long-term growth

Rating: BUY **| TP:** HK$80.00 (60% upside)

Analysts: 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 – Kling AI has generated cumulative revenue of over RMB100mn since its monetization in 4Q24; 2) consumption recovery: we expect Kuaishou's core commercial business revenue (online marketing & other services) to maintain solid YoY growth of 15% in FY25E, supported by mild consumption recovery and AI empowerment. Kuaishou's current valuation of 10x FY25E PE remains attractive given its strong earnings outlook in FY25/26E.
- **Our View:** 4Q24 total revenue was up by 9% YoY to RMB35.4bn, and adjusted net profit grew by 8% YoY to RMB4.7bn, both in line with our/consensus estimates. For FY25E, we forecast total revenue to grow by 12% YoY with a largely stable adjusted net margin, as the favorable revenue mix shift and efficiency gains will be largely offset by the increase in AI-related investment. We believe AI will start to generate meaningful revenue and empower existing businesses in FY25E.
- **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$80.0, comprising HK$9.6/23.2/39.2 for live streaming/external marketing/e-commerce business and HK$8.1 for net cash.

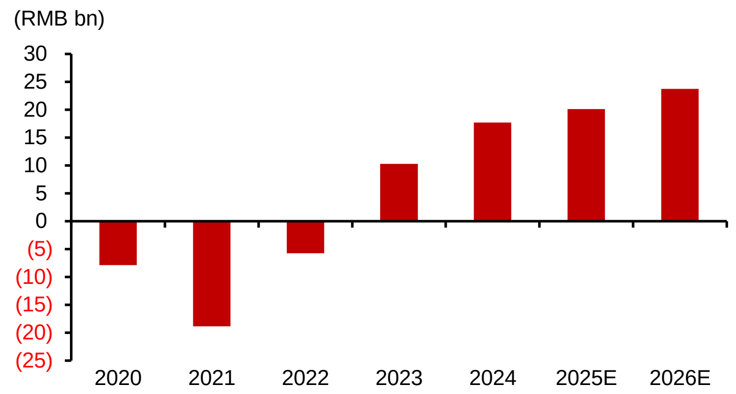
Link to latest report: Kuaishou (1024 HK) - Accelerating AI development to drive long-term growth

Financials and Valuations

(YE 31 Dec)	FY23	FY24E	FY25E	FY26E
Revenue (RMB mn)	113,470	126,898	141,738	153,460
Adj. net profit (RMB mn)	10,271	17,716	20,115	23,702
EPS (Adjusted) (RMB)	2.38	4.12	4.67	5.51
Consensus EPS (RMB)	2.38	4.12	5.14	6.16
Non-GAAP P/E (x)	19.3	11.2	9.9	8.4

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:** US$70.0 (27% upside)

Analysts: Saiyi He/Frank Tao/Wentao LU

- **Investment Thesis:** 1) Both domestic and outbound travel businesses 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 a 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 caused 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 by narrower-than-expected operating loss generated from pure international business under a strict ROI target.

- **Valuation:** DCF-based valuation of US$70.0, which translates into 20x FY25E PE.

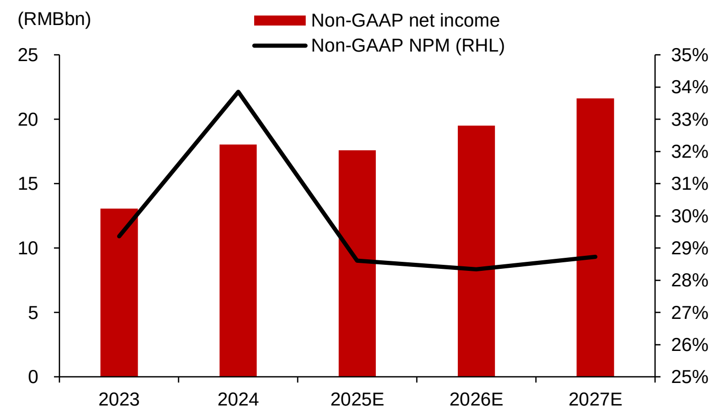
Link to latest report: Trip.com Group (TCOM US) – Entry point could appear post market correction

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 earnings against industry headwinds

Rating: BUY | **TP:** HK$6.13 (39% 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, 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	0.24	0.29
P/E (x)	17.8	21.9	18.3	15.3
P/B (x)	1.6	2.2	2.1	2.1
Yield (%)	3.0	3.3	3.8	4.6
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%	$\boxed{18\%}$
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) – Positive on upbeat EV target and overseas AIoT upside

Rating: BUY **| TP:** HK$59.52 (39% upside)

Analysts: Alex Ng/ Hanqing Li

- **Investment Thesis:** Xiaomi is the 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: solid shipment guidance of 180mn units, global market 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 Smart EV, Xiaomi raised FY25E annual delivery target to 350k units. Overall, we expect Xiaomi's adj. net profit to grow 39%/22% YoY in FY25/26E.

- **Where 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$59.52 implies 35.9x FY25E P/E; our valuation methodology reflects Xiaomi's business diversification with different growth profiles and visibility.

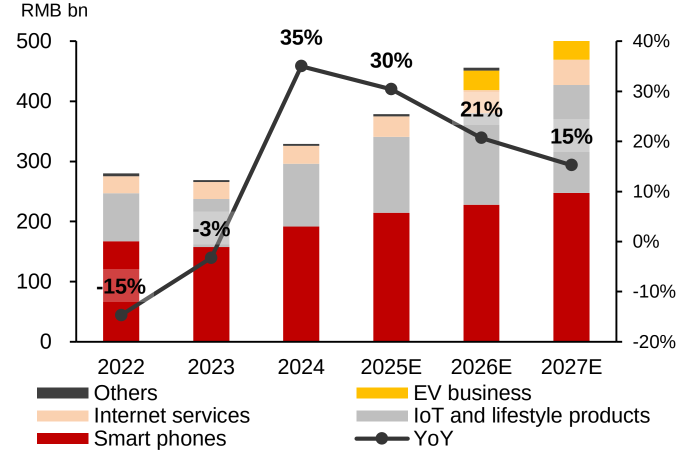
Link to latest report: Xiaomi (1810 HK) - 4Q24 strong beat; Positive on upbeat EV target and overseas AIoT upside

Financials and Valuations

(YE 31 Dec)	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	365,903	477,234	575,958	663,767
YoY growth (%)	35.0	30.4	20.7	15.2
Net profit(RMB mn)	27,235	37,879	46,350	55,516
YoY growth (%)	1.10	1.53	1.87	2.24
EPS (RMB)	41.7	39.1	22.4	19.8
Consensus EPS (RMB)	N/A	N/A	1.57	2.32
P/E (x)	34.6	24.9	20.3	17.0
P/B (x)	5.9	5.0	4.2	3.5
Yield (%)	N/A	N/A	N/A	N/A
ROE (%)	14.4	16.9	17.4	17.4
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) – Auto/AI/Apple ramp to drive growth in 2025

Rating: BUY **| TP:** HK$47.10 (48% upside)

Analysts: Alex Ng/ Hanqing Li

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

- **Our View:** We estimate FY25E revenue/NP growth of 14%/39% YoY, and we are positive on BYDE's three core growth drivers: 1) For NEV, BYDE will focus on revenue ramp of ADAS and cockpit systems, and expects self-developed suspension/ thermal products will be positive to its product mix. 2) For AI server, leveraging partnership with Nvidia, BYDE started H20/L40 server ODM business for Chinese clients, while server components will start to be shipped to overseas CSP clients, focusing on liquid cooling (e.g., UQD, manifold, cold plate, CDU) and power components (e.g., PDB, power shelf, busbar). 3) For robotics, BYDE is working on R&D for robotics components and expects to start AMR projects with Nvidia for factory automation in 2025.

- **Where do we differ vs consensus:** We are more positive on Jabil's acquisition synergies, NEV biz momentum and AI server biz outlook.

- **Catalysts:** Near-term catalysts include shipments to Honor/Huawei/Xiaomi, and mass production of new NEV/AI server products.

- **Valuation:** Our SOTP-based TP of HK$47.1 implies 16.2x FY25E P/E. We reiterate BUY given our positive view on BYDE's outlook in FY25E and improving revenue mix to drive GPM recovery in FY25/26E.

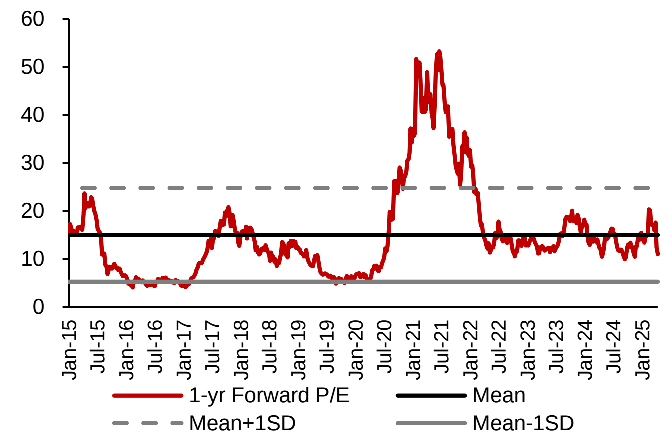
Link to latest report: BYDE (285 HK)- 4Q24 earnings dragged by one-off expenses; auto/AI/Apple ramp to drive growth in 2025

Financials and Valuations

(YE 31 Dec)	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	177,306	201,788	229,804	251,251
YoY growth (%)	36	14	14	9
Net profit (RMB mn)	4,266	5,944	7,367	9,098
EPS (RMB)	1.89	2.64	3.27	4.04
YoY growth (%)	6	39	24	24
Consensus EPS (RMB)	N/A	2.94	3.68	N/A
P/E (x)	15.3	11.0	8.8	7.2
P/B (x)	2.4	2.2	1.9	1.6
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	13.2	16.3	17.7	18.9
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

Naura (002371 CH) – Solid FY24 earnings amid accelerated semi supply chain domestication

Rating: BUY | **TP:** RMB512 (12% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment thesis:** Naura announced key financials regarding its FY24/1Q25 earnings. FY24 revenue went up by 35.1% YoY to RMB29.8bn (3.3% below our estimate/in-line with consensus). The strong revenue growth was driven by technology breakthroughs in core product lines that enabled broader product coverage and supported continued market share gains. In FY24, net profit went up by 44.2% YoY to RMB5.6bn (3.2%/1.6 below our /consensus). During the period, NPM improved to 18.8% (vs. 17.7% in FY23) on better operating efficiency. For 1Q25, the company expects the mid-point revenue to increase by 39.3% YoY to RMB8.2bn (beating consensus by 5.5%), and mid-point net profit to grow 40.3% YoY to RMB1.6bn (beating BBG consensus by 12.5%). 1Q25 mid-point NPM would be 19.4% (vs. 19.2% in 1Q24).
- **Our view:** Mgmt. attributed the strong revenue growth to the successful commercialization and volume shipments of several new products, which significantly enhanced the company's product coverage and competitiveness in the domestic SME segment. We project the company's revenue to grow by 30.8% YoY in 2025E on continuous market share gains and new product launches. We also expect semi-industry consolidation in China to accelerate in 2025, which is one of the key themes in our 2025 outlook report. China's leading semi cap players are well-positioned to benefit from domestic self-sufficiency initiatives and M&A momentum. Meanwhile, we believe the recently announced US reciprocal tariffs on China are going to pose a minimal impact on the company in the near term, as it generates all revenue domestically with no exposure to foreign markets.
- **Risks:** 1) Lower-than-expected domestic foundry capex plan; 2) slower-than-expected R&D progress; 3) higher raw material costs, etc.
- **Valuation:** Maintain BUY, with TP of RMB512, based on 36x FY25E P/E (peers avg.) vs. previously 30x.

Link to relevant reports:

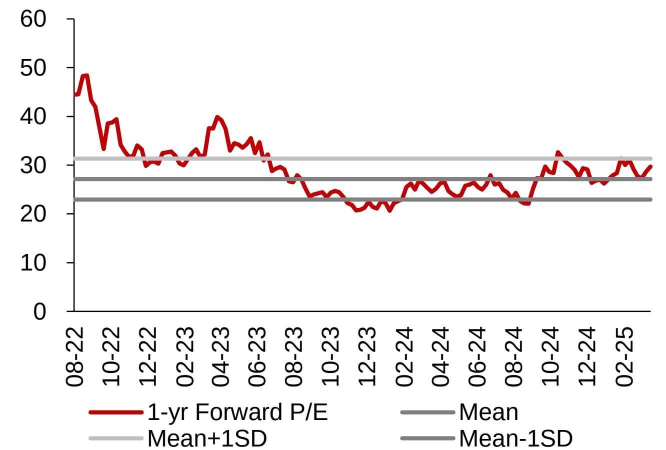
1. Naura Technology (002371 CH) - Solid FY24 earnings amid accelerated semi supply chain domestication
2. Naura Technology (002371 CH) - Solid Q3 earnings signal intact growth trajectory

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	14,688	22,079	30,856	39,030	48,443
YoY growth (%)	51.7	50.3	39.7	26.5	24.1
Operating profit (RMB mn)	2,867	4,448	7,085	9,285	12,183
YoY growth (%)	131.9	55.1	59.3	31.0	31.2
Net profit (RMB mn)	2,353	3,899	5,806	7,547	9,873
YoY growth (%)	118.4	65.7	48.9	30.0	30.8
EPS (RMB)	4.46	7.36	10.9	14.2	18.6
P/E (x)	96.6	58.5	39.4	30.3	23.2

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

BaTeLab (2149 HK) – Key beneficiary amid China's analog IC localization

Rating: BUY **| TP:** HK$69.50 (39% upside)

Analysts: Lily Yang/ Kevin Zhang

- **Investment thesis:** We have added BaTeLab as one of our top picks. With escalating uncertainty around geopolitical tension amid the tariff standoff between the US and China, we see an accelerated pace of semi supply chain localization in China, esp. within the analog IC segment. The segment has traditionally been dominated by overseas players, e.g., Texas Instruments, Analog Devices, etc., but we are seeing a growing interest in domestic substitution. BaTeLab is one of the leading analog IC patterned wafer providers in China, focusing on the industrial-grade market. The company has developed the only full-stack design platform in China, integrating EDA, IP and design. We estimate the impact of the latest tariffs on the Company to be minimal (all of BaTeLab's revenue is derived in mainland China).
- **Our view:** We like BeTeLab given its 1) 30% 2024-27E revenue CAGR, 2) high GPM and NPM, and 3) attractive valuation (currently trading at 9.0x 2025E P/E).
- **Valuation:** Maintain BUY, with TP of HK$69.5, based on 18x rollover 2025E P/E.
- **Risks:** 1) volatile economic conditions; 2) change in relationship with its core customers or suppliers; and 3) slower-than-expected introduction of new product categories.

Link to relevant reports:

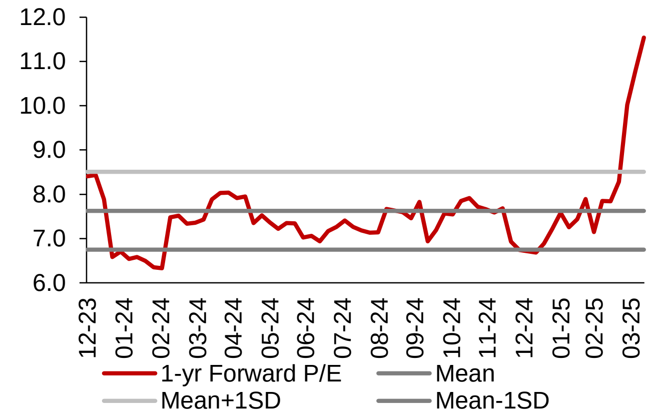
1. BaTeLab (2149 HK) - Record-high FY24 NPM of 28.8% underpins ability to maintain high margins
2. BaTeLab (2149 HK) - NDR takeaways
3. BaTeLab (2149 HK) - Strong 1H24 results signal brighter days ahead
4. BaTeLab (2149 HK) - Key domestic analog patterned wafer player well positioned to have multiple years of growth ahead

Financials and Valuations

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	464	579	770	1,006	1,284
YoY growth (%)	31.6	24.8	33.0	30.8	27.6
Gross margin (%)	55.4	53.0	53.8	53.5	53.3
Net profit (RMB mn)	109.2	166.6	216.7	285.1	363.3
YoY growth (%)	14.6	52.6	30.1	31.5	27.4
EPS (RMB)	2.42	2.78	3.61	4.75	6.05
P/E (x)	13.5	11.7	9.0	6.9	5.4

Source: Company data, Bloomberg, CMBIGM estimates

Fig: 1-year forward P/E band



Source: Company data, CMBIGM estimates

Willsemi (603501 CH) – Beneficiary of accelerated domestic AI capex and autonomous driving penetration

Rating: BUY | **TP:** RMB176 (41% 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 revenue grew by 22.4%, and net profit grew by 498.1% YoY in FY24. GPM significantly improved to 29.4% from 21.8% in FY23. The company's CIS products are crucial in key end markets, including mobile devices/laptops, automobiles, AR/VR glasses and other AI-enabled products. We project Willsemi's revenue to grow by 26.9% YoY to RMB33bn in 2025E, driven by 25%/40% YoY growth from mobile/auto CIS sales.
- **Our view:** Willsemi's auto CIS sales could 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. We project the auto CIS market to expand on greater camera shipments (10% more cameras installed per vehicle) and benefit mildly from an ASP increase driven by resolution upgrade to 8MP. Based on our estimate, Willsemi became the 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:** 1) Worsening China-US trade relations, 2) heightened geopolitical tensions, 3) slower-than-expected R&D.
- **Valuation:** Maintain BUY, with TP of RMB176, corresponding to 41x 2025E P/E.

Links to relevant reports:

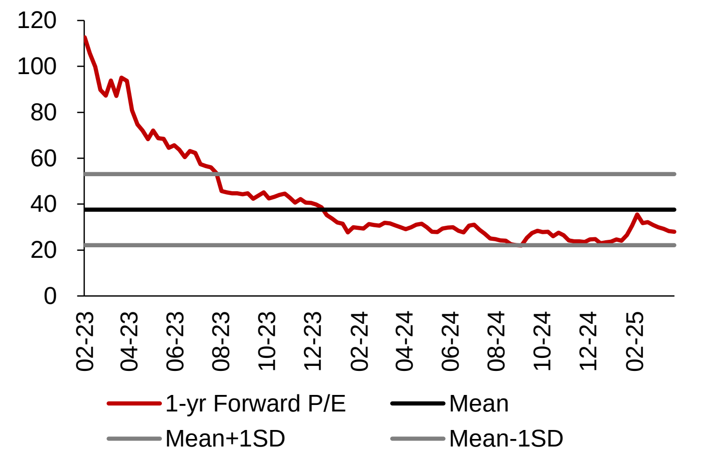
1. Willsemi (603501 CH) - True beneficiary of accelerating domestic AI innovation & autonomous driving penetration
2. Willsemi (603501 CH) - 3Q results in line with gradual recovery

Financials and Valuations

(YE 31 Dec)	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	21,021	25,731	32,655	39,525
YoY growth (%)	4.7	22.4	26.6	21.0
Gross margin (%)	21.8	29.4	32.2	32.2
Net profit (RMB mn)	556	3,323	5,108	6,485
YoY growth (%)	(43.9)	498.1	56.3	27.0
EPS (RMB)	0.47	2.77	4.29	5.45
P/E (x)	263.3	44.7	28.9	22.4

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 (64% upside)

Analysts: 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 companies 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).

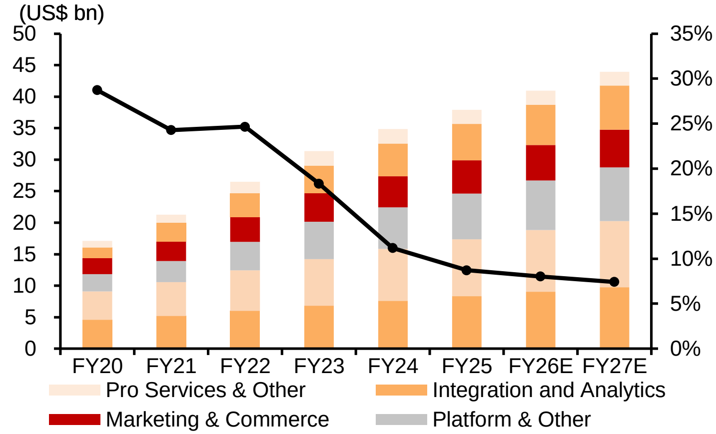
Link to latest report: Salesforce (CRM US) – Conservative guidance weighs on sentiment; strong Data Cloud & AI momentum

Financials and Valuations

(YE 31 Jan)	FY24A	FY25E	FY26E	FY27E
Revenue (US$ mn)	34,857	37,895	40,933	43,970
Adjusted NP (US$ mn)	8,087.0	9,930.0	10,990.8	12,237.5
YoY growth (%)	54.8	22.8	10.7	11.3
EPS (Adjusted) (US$)	8.30	10.32	11.30	12.58
Consensus EPS (US$)	8.30	10.32	11.20	12.75
P/E (x)	70.1	46.2	41.8	35.8

Source: Company data, Bloomberg, CMBIGM estimates

Fig: Salesforce: revenue and YoY



Source: Company data, CMBIGM estimates

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NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months

MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months

UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

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