

Haier Smart Home (6690 HK)

2H25E outlook to stay positive backed by multiple strengths

1H25 results were a beat, thanks to higher other income. Management has reiterated its FY25E guidance and we have become more confident on its 2H25E outlook, mainly due to various company specific initiatives, say effective growth strategy of the Casarte and Leader brands, meaningful costs saving and efficiency gains by digitalization in inventory and marketing, decent ramp up in air-conditioner business, successful turnaround in EU market and rapid development in emerging markets. Moreover, Haier has reacted effectively to the import tariffs, and hence sales growth and margin trend in the US market should still be stable and decent. All in all, we maintain BUY and raise TP to HK\$ 31.57, based on 12x FY26E P/E (rolled over from 12x FY25E P/E).

■ **Despite the potentially high base in 4Q24, positive sales growth could still be achieved in the China's market.** Management has highlighted that the sales growth in Jul - Aug 2025 was still very fast and solid. And they are also confident on achieving positive growth in 4Q25E, thanks to: 1) relatively fast sales growth from the Casarte brand (about 15% in FY25E, revised down mildly from 20%), driven by further ramp up in online marketing and expansion of more high-end experience based stores (there are currently around 300 stores, which will eventually go up to about 1,000 stores with 500 located in tier 1 and 2 cities), 2) successful ramp up of the Leader brand, where its blockbuster product strategy has been impressive in 1H25 (e.g. triple-drum Lazy Wash washing machines was very hot-selling), 3) further ramp up of the air-conditioner business, more new SKUs will be launched, more direct consumer facing marketing will be released and the digitalization around inventory management is highly positive for this segment (because the delivery and installation are highly integrated), 4) further expansion into the lower-tier cities, at present, only 20,000 stores in the lower tier cities in China have a healthy sell-through rate, and Haier is aiming to increase this figure to 30,000 in the future.

■ **Margin-wise, in the China's market, we can still see several drivers, namely:** 1) digitalization in inventory, which can effectively lead to better sales (offline stores can now sell more SKUs and online distributors can also generate more sales without even owning the inventory), more costs saving (reduction in non-necessary warehousing and logistic costs) and easier acquisition of more new customers and further drive up the overall sales conversion, 2) digitalization in marketing, as more advertising and promotion were now done in-house (e.g. the commencement of the live streaming centre located in Wuhan) and as AI becomes more widely used in all process across the business, 3) premiumization should continue, due to more upgrades in product quality (e.g. functions and appearance) and greater sales from high-end brands and segments, and 4) ramp up of air-conditioners' supply chain (more self-owned productions and greater economies of scales).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	274,198	285,971	310,899	325,871	342,177
YoY growth (%)	12.6	4.3	8.7	4.8	5.0
Operating profit (RMB mn)	19,198.0	21,654.0	25,092.2	27,093.7	29,513.7
Net profit (RMB mn)	17,088.0	19,576.0	22,204.1	24,149.0	26,460.2
EPS (Reported) (RMB)	1.78	2.02	2.27	2.47	2.71
YoY growth (%)	13.3	13.4	12.6	8.9	9.8
P/E (x)	13.5	11.9	10.6	9.7	8.8
P/B (x)	2.2	2.0	1.8	1.6	1.5
Yield (%)	3.3	4.0	4.8	5.3	5.8
ROE (%)	17.6	18.4	18.9	18.6	18.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$31.57**
(Previous TP) **HK\$28.45**
Up/Downside **20.3%**
Current Price **HK\$26.24**

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	247,656.1
Avg 3 mths t/o (HK\$ mn)	402.8
52w High/Low (HK\$)	35.75/19.82
Total Issued Shares (mn)	9438.1

Source: FactSet

Shareholding Structure

Haier Group Corp	18.8%
JP Morgan Investment Management	3.1%

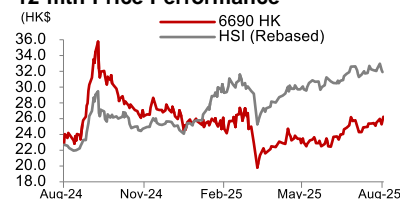
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	2.3%	4.1%
3-mth	11.7%	5.0%
6-mth	6.0%	-3.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Sales growth in the overseas market could still be fast and sustainable.** We believe the ramp up of EU markets and encouraging developments in the emerging markets are more than enough to drive decent sales growth in the overseas market, even though the US market may only be flattish in near future.

For US market (management believes the growth in 2H25E may be stable), we can still remain confident, even though there will be some negative impacts from the import tariffs (no matter it is the fentanyl rate or the section 232 rate), because Haier 1) has already planned for some ASP hikes and started to purchase steel and aluminum in the US and supply it to its production in Mexico (these are effective moves to offset the tariffs), 2) will continue to launch more new products (usually with a higher margin) and ramp up the sales of its high-end brands and 3) will start to build more facilities in the US (utilization rate of GEA was over 90% in 1H25, and a capex of round US\$ 3.0bn will be invested in the US), which should generate faster sales growth and better margins in the medium term.

For EU market (management is aiming for at least 10% sales growth in 2H25E), we do think the recent upgrade in product quality (thanks to better consumer studies and better designs), elimination of many non-efficient production facilities (shutting down its factories in Romania and Italy), revamped management and incentive system, revamp in logistic and warehousing capability will all lead to faster sales growth and a better operating leverage.

For emerging market (high double digital sales growth in 2H25E is still likely), we are even more confident, thanks to following initiatives: 1) more localization in product, from the designs to marketing and to sales channels), 2) more talents are sent from mainland China to lead the strategy development in these markets, 3) more digitization in sales and inventory management, 4) appropriate M&A (e.g. the buyout of Defy in South America market has led to a better sales network). Margin-wise, since profit margin in emerging market is the lowest, the upside is huge. And we are confident on that given the growth drivers mentioned above.

- **FY25E guidance remained largely unchanged and we are quite confident, given multiple growth drivers and many initiatives on costs saving and efficiency gains.** The management has reiterated the FY25E guidance and introduced a more detailed 2H25E guidance (both are HSD sales and 10%+ net profit growth).
- **Maintain BUY and raise TP to HK\$ 31.57, based on 12x FY26E P/E.** We have revised up our FY25E/ 26E/ 27E net profit forecasts by 2%/ 2%/ 2%, in order to factor in : 1) faster sales growth in both mainland China and overseas market and 2) better-than-expected GP margin (even with the potential increase in import tariffs). Aided by the Company's specific initiatives (effective growth strategy of the Casarte and Leader brands, meaningful costs saving and efficiency gains by digitalization in inventory and marketing, decent ramp up in air-conditioner business, successful turnaround in EU market and rapid development in emerging markets), we remain confident that the Company will achieve its FY25E guidance. Hence, we maintain BUY with a new TP of HK\$ 31.57, which is based on 12x FY26E P/E (rolled over from 12x FY25E P/E). The stock is now trading at 11x FY25E P/E or 10x FY26E P/E, still very undemanding vs its 5-year average of 15x.
- **1H25 results were better than expected.** In 1H25, Haier's sales increased by 10% YoY to RMB 156.5bn, 3%/ 3% higher than BBG/ CMBI est. while net profit rose by 16% YoY to RMB 12.0bn, 8%/ 2% higher than BBG/ CMBI est.. We attribute this beat mostly to the higher-than-expected other income and gains (e.g. the government grants and FX gains resulted from the appreciation in EUR). In terms of different growth by segment, mainland China sales climbed by 9% while the overseas sales increased by 12%. Within mainland China, sales growth for fridges/ washing machines/ air-conditioners/ kitchen wares/ water heater were at MSD/ 10%+/ 10%+/ HSD/ HSD in 1H25. For overseas, sales growth for North America/ Europe/ South Asia/ Australia and New Zealand/ Southeast Asia/ Japan/ Middle East and Africa were at 2%/ 24%/ 33%/ 1%/ 18%/ 7%/ 66% in 1H25.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	310,899	325,871	342,177	304,375	318,967	334,942	2.1%	2.2%	2.2%
Gross profit	84,451	89,169	94,307	81,989	86,553	91,544	3.0%	3.0%	3.0%
EBIT	25,092	27,094	29,514	24,391	26,446	28,809	2.9%	2.5%	2.4%
Net profit att.	21,296	23,198	25,461	20,903	22,857	25,090	1.9%	1.5%	1.5%
Diluted EPS (RMB)	2.270	2.472	2.714	2.228	2.436	2.674	1.9%	1.5%	1.5%
Gross margin	27.2%	27.4%	27.6%	26.9%	27.1%	27.3%	0.2ppt	0.2ppt	0.2ppt
EBIT margin	8.1%	8.3%	8.6%	8.0%	8.3%	8.6%	0.1ppt	0ppt	0ppt
Net profit att. margin	6.8%	7.1%	7.4%	6.9%	7.2%	7.5%	0ppt	0ppt	0ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	310,899	325,871	342,177	307,248	322,271	340,184	1.2%	1.1%	0.6%
Gross profit	84,451	89,169	94,307	86,535	90,984	96,419	-2.4%	-2.0%	-2.2%
EBIT	25,092	27,094	29,514	23,614	25,605	27,850	6.3%	5.8%	6.0%
Net profit att.	21,296	23,198	25,461	20,801	22,742	24,978	2.4%	2.0%	1.9%
Diluted EPS (RMB)	2.270	2.472	2.714	2.231	2.438	2.674	1.7%	1.4%	1.5%
Gross margin	27.2%	27.4%	27.6%	28.2%	28.2%	28.3%	-1ppt	-0.9ppt	-0.8ppt
EBIT margin	8.1%	8.3%	8.6%	7.7%	7.9%	8.2%	0.4ppt	0.4ppt	0.4ppt
Net profit att. margin	6.8%	7.1%	7.4%	6.8%	7.1%	7.3%	0.1ppt	0.1ppt	0.1ppt

Source: Bloomberg, CMBIGM estimates

Results Summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H24	2H24	1H25E	2H25E	1H25E YoY	2H25E YoY	1H25E CMBIS	Actual vs CMBIS
Revenue	141,981	143,990	156,469	154,430	10%	7%	151,760	3%
COGS	-104,697	-103,431	-115,229	-111,218			-109,511	
Gross profit	37,284	40,559	41,240	43,211	11%	7%	42,249	-2%
GP margins	26.3%	28.2%	26.4%	28.0%			27.8%	-1.5ppt
Other income & gains	1,915	1,974	2,889	1,802			1,879	54%
S & D expenses	-14,518	-19,068	-15,817	-19,847	9%	4%	-17,417	-9%
S & D exp / sales	-10.2%	-13.2%	-10.1%	-12.9%			-11.5%	
Admin expenses	-11,369	-13,155	-12,749	-13,589	12%	3%	-12,031	6%
Admin exp / sales	-8.0%	-9.1%	-8.1%	-8.8%			-7.9%	
Other opex	0	0	0	0			0	
Operating profit (EBIT)	13,312	10,310	15,563	11,578	17%	12%	14,679	6%
OP margins	9.4%	7.2%	9.9%	7.5%			9.7%	0.3ppt
Other items	0	0	0	0			0	
Net finance income	-1,244	-1,461	-1,416	-1,220			-505	180%
Net fin. income / sales	-0.9%	-1.0%	-0.9%	-0.8%			-0.3%	
Profit after financing costs	12,068	8,849	14,147	10,358			14,174	
Associated coms	913	903	850	860			730	
Jointly controlled coms	0	0	0	0			0	
Pre-tax profit	12,981	9,752	14,997	11,218	16%	15%	14,904	1%
Tax	-2,207	-950	-2,512	-1,499			-2,695	-7%
Tax / sales	-1.6%	-0.7%	-1.6%	-1.0%			-1.8%	
Effective tax rate	-17.0%	-9.7%	-16.8%	-13.4%			-18.1%	
Net profit from con. bus.	10,774	8,802	12,485	9,719	16%	10%	12,209	2%
Net profit from discon. bus.	0	0	0	0			0	
Minority interests	364	471	449	459			369	22%
Net profit att.	10,410	8,331	12,036	9,260	16%	11%	11,840	2%
NP margins	7.3%	5.8%	7.7%	6.0%			7.8%	-0.1ppt

Source: Company data, CMBIGM estimates

Figure 4: Results review - Full Year

Full yearly (RMB mn)	FY24	FY25E	FY26E	FY24 YoY	FY25E YoY	FY26E YoY
Revenue	285,971	310,899	325,871	4%	9%	5%
COGS	-208,128	-226,447	-236,701			
Gross profit	77,843	84,451	89,169	6%	8%	6%
GP margins	27.2%	27.2%	27.4%			
Other income & gains	3,889	4,691	5,031			
S & D expenses	-33,586	-35,664	-37,195	3%	6%	4%
S & D exp / sales	-11.7%	-11.5%	-11.4%			
Admin expenses	-24,524	-26,338	-27,651	3%	7%	5%
Admin exp / sales	-8.6%	-8.5%	-8.5%			
Other opex	0	0	0			
Operating profit (EBIT)	23,622	27,141	29,355	14%	15%	8%
OP margins	8.3%	8.7%	9.0%			
Other items	0	0	0			
Net finance income	-2,705	-2,636	-2,636			
Net fin. income / sales	-0.9%	-0.8%	-0.8%			
Profit after financing costs	20,917	24,505	26,719			
Associated coms	1,816	1,710	1,792			
Jointly controlled coms	0	0	0			
Pre-tax profit	22,733	26,215	28,511	12%	15%	9%
Tax	-3,157	-4,011	-4,362			
Tax / sales	-1.1%	-1.3%	-1.3%			
Effective tax rate	-13.9%	-15.3%	-15.3%			
Net profit from con. bus.	19,576	22,204	24,149	15%	13%	9%
Net profit from discon. bus.	0	0	0			
Minority interests	835	908	952			
Net profit att.	18,741	21,296	23,198	13%	14%	9%
NP margins	6.6%	6.8%	7.1%			

Source: Company data, CMBIGM estimates

Assumptions

Figure 5: CMBIGM's assumptions

RMB mn	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Sales by segment (RMB mn)						
Mainland China						
Refrigerators/freezers	39,010	40,612	41,058	43,111	44,835	46,629
Kitchen appliances	3,114	3,394	3,462	3,704	3,927	4,162
Air-conditioners	28,384	32,358	34,299	38,072	41,118	44,407
Laundry appliances	27,076	26,534	25,208	27,981	29,100	30,264
Water appliances	13,542	14,219	14,361	15,367	16,289	17,266
Overseas	124,704	136,412	143,814	157,707	164,647	172,455
Other businesses	7,655	20,669	23,769	24,957	25,956	26,994
Total	243,485	274,198	285,971	310,899	325,871	342,177
Sales by segment growth (%)						
Mainland China						
Refrigerators/freezers	5.9%	4.1%	1.1%	5.0%	4.0%	4.0%
Kitchen appliances	3.4%	9.0%	2.0%	7.0%	6.0%	6.0%
Air-conditioners	3.6%	14.0%	6.0%	11.0%	8.0%	8.0%
Laundry appliances	4.5%	-2.0%	-5.0%	11.0%	4.0%	4.0%
Water appliances	8.5%	5.0%	1.0%	7.0%	6.0%	6.0%
Overseas	10.3%	9.4%	5.4%	9.7%	4.4%	4.7%
Other businesses	-12.8%	170.0%	15.0%	5.0%	4.0%	4.0%
Total	7.0%	12.6%	4.3%	8.7%	4.8%	5.0%
Sales by brand growth (%)						
Haier, Leader & others	2.4%	16.3%	1.9%	6.7%	4.6%	4.8%
Casarte	15.0%	14.0%	12.0%	15.0%	9.0%	8.0%
GEA	6.5%	6.0%	1.0%	5.0%	5.0%	5.0%
Candy	9.0%	6.0%	8.0%	3.0%	3.0%	3.0%
Others	19.6%	17.6%	13.0%	19.4%	3.9%	4.8%
Total	7.0%	12.6%	4.3%	8.7%	4.8%	5.0%
GP margin (%)	30.6%	26.9%	27.2%	27.2%	27.4%	27.6%
Costs breakdown						
Selling & distribution expenses	15.9%	11.9%	11.7%	11.5%	11.4%	11.3%
Admin expenses	8.9%	8.7%	8.6%	8.5%	8.5%	8.5%
Effective tax rate	17.2%	15.5%	13.9%	15.3%	15.3%	15.3%
NP margin (con. bus.)	6.1%	6.2%	6.8%	7.1%	7.4%	7.7%
NP growth (con. bus.)	11.5%	16.0%	14.6%	13.4%	8.8%	9.6%
NP att. margin	6.0%	6.1%	6.6%	6.8%	7.1%	7.4%
NP att. growth	12.6%	12.8%	12.9%	13.6%	8.9%	9.8%

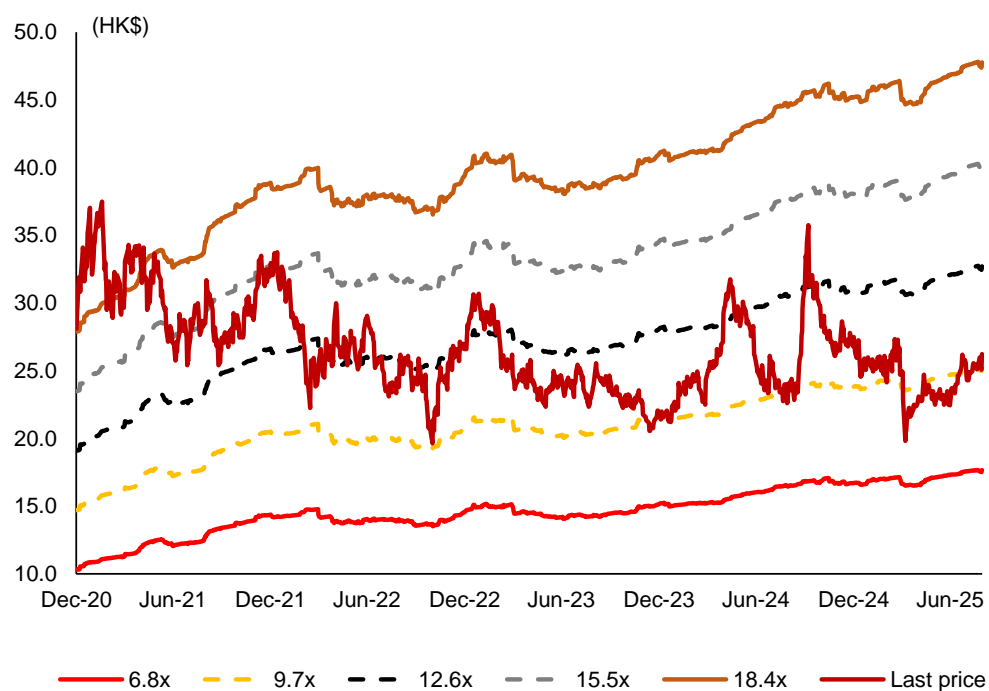
Source: Company data, CMBIGM estimates

Valuation

Figure 6: Peers' valuation

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.(%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY2E	FY1E	FY1E	FY1E	FY1E
A+ H shares Home Appliances - White goods, Kitchen and Small Appliances														
Haier SH - H	6690 HK	BUY	31.57	26.24	20%	259,447	Dec-24	10.9	10.0	1.6	18.4	1.0	3.9	(4.6)
Gree Electronics	000651 CH	NR	n/a	42.60	n/a	260,830	Dec-24	7.0	6.7	1.4	22.2	1.3	7.2	(6.3)
Haier SH - A	600690 CH	NR	n/a	26.26	n/a	259,389	Dec-24	11.7	10.6	1.8	17.3	1.1	4.2	(7.8)
Midea Group	000333 CH	BUY	66.70	73.71	-10%	618,914	Dec-24	13.0	11.9	2.3	18.8	1.7	5.3	(2.0)
Hisense JA	921 HK	NR	n/a	24.10	n/a	36,802	Dec-24	8.3	7.5	1.5	21.3	0.8	6.1	(1.8)
Hisense HA	000921 CH	NR	n/a	25.43	n/a	36,793	Dec-24	9.7	9.0	1.8	21.8	1.2	5.1	(12.0)
Whirlpool China	600983 CH	NR	n/a	11.00	n/a	9,216	Dec-24	n/a	n/a	n/a	n/a	n/a	n/a	19.0
Zhejiang Aishida	002403 CH	NR	n/a	15.20	n/a	5,660	Dec-24	n/a	n/a	n/a	n/a	n/a	n/a	7.3
Bear Electric	002959 CH	NR	n/a	52.46	n/a	9,005	Dec-24	21.5	18.9	2.5	12.8	1.1	2.4	9.5
Ecovacs Robotics	603486 CH	NR	n/a	96.89	n/a	61,041	Dec-24	28.8	24.9	5.4	22.8	0.6	1.1	106.1
JS Global Lifestyle	1691 HK	BUY	2.44	2.19	11%	7,609	Dec-24	16.5	11.7	1.6	2.0	0.1	3.2	57.6
Joyoung Co	002242 CH	NR	n/a	10.09	n/a	8,415	Dec-24	27.6	22.3	2.1	9.0	0.5	2.1	(2.6)
Hangzhou Robam	002508 CH	NR	n/a	20.35	n/a	21,019	Dec-24	11.8	11.0	1.5	13.7	2.4	5.0	(5.0)
Zhejiang Supor	002032 CH	NR	n/a	51.43	n/a	45,050	Dec-24	17.6	16.6	5.9	35.5	3.2	5.2	(3.3)
Vatti Corporation	002035 CH	NR	n/a	6.46	n/a	5,986	Dec-24	10.6	9.7	1.3	12.8	1.6	5.0	(12.0)
Xinbao Electrica	002705 CH	NR	n/a	16.36	n/a	14,519	Dec-24	11.3	10.3	1.3	13.2	1.0	3.2	9.1
Avg.								14.7	12.9	2.3	17.3	1.3	4.2	9.4
Med.								11.7	10.8	1.7	17.9	1.1	4.6	(2.3)
International Home Appliances - White goods, Kitchen and Small Appliances														
Whirlpool Corp	WHR US	NR	n/a	93	n/a	40,582	Dec-24	14.4	11.3	1.2	11.5	(0.1)	5.7	(18.6)
Carrier Global	CARR US	NR	n/a	65	n/a	432,485	Dec-24	21.5	18.9	3.6	17.4	(1.5)	1.4	(4.5)
Ingersoll-Rand Plc	IR US	NR	n/a	79	n/a	246,067	Dec-24	23.5	21.4	2.7	12.4	0.9	0.1	(12.2)
Smith (A.O.) Corp	AOS US	NR	n/a	71	n/a	77,865	Dec-24	18.6	16.9	5.1	29.5	2.5	1.9	4.5
Helen Of Troy	HELE US	NR	n/a	25	n/a	4,393	Feb-25	5.4	5.0	0.3	7.6	(36.6)	n/a	(59.0)
Irobot Corp	IRBT US	NR	n/a	3	n/a	829	Dec-24	n/a	n/a	n/a	n/a	n/a	n/a	(56.3)
Electrolux Ab	ELUXB SS	NR	n/a	56	n/a	13,211	Dec-24	13.3	6.2	1.2	13.8	(0.1)	0.7	(39.0)
Seb Sa	SK FP	NR	n/a	62	n/a	31,395	Dec-24	9.6	7.9	0.9	10.7	0.3	4.3	(28.9)
Koninklijke Philips	PHIA NA	NR	n/a	24	n/a	206,835	Dec-24	17.0	15.2	1.8	7.4	(0.1)	3.6	(3.5)
Daikin Industries	6367 JP	NR	n/a	18600	n/a	289,255	Mar-25	19.8	17.9	1.7	9.7	2.0	1.9	(0.3)
Panasonic Corp	6752 JP	NR	n/a	1515	n/a	197,293	Mar-25	11.9	7.9	0.7	5.9	0.8	3.0	(7.8)
Sony Corp	6758 JP	NR	n/a	4083	n/a	1,332,209	Mar-25	22.8	20.4	2.6	13.0	4.0	0.6	21.2
Hitachi	6501 JP	NR	n/a	4049	n/a	984,221	Mar-25	24.3	21.1	2.8	12.8	1.2	1.2	2.8
Sharp Corp	6753 JP	NR	n/a	890	n/a	30,705	Mar-25	13.2	17.4	2.4	19.5	2.6	1.1	(9.7)
Fujitsu General	6755 JP	NR	n/a	2798	n/a	16,241	Mar-25	33.7	28.2	2.1	7.6	(0.1)	1.4	20.2
Lg Electronics	066570 KS	NR	n/a	73900	n/a	67,506	Dec-24	8.6	7.3	0.5	6.7	0.1	1.4	(11.5)
Samsung Elect.	005930 KS	NR	n/a	69700	n/a	2,313,873	Dec-24	15.4	11.9	1.1	7.5	1.8	2.1	31.0
Woongjin Coway	021240 KS	NR	n/a	104200	n/a	42,021	Dec-24	12.2	10.8	1.9	18.4	1.2	2.6	55.8
Avg.								16.8	14.4	1.9	12.4	(1.2)	2.1	(6.4)
Med.								15.4	15.2	1.8	11.5	0.8	1.6	(6.1)

Source: Bloomberg, CMBIGM estimates

Figure 7: Forward 12M P/E valuation band

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	243,485	274,198	285,971	310,899	325,871	342,177
Cost of goods sold	(168,919)	(200,557)	(208,128)	(226,447)	(236,701)	(247,870)
Gross profit	74,566	73,641	77,843	84,451	89,169	94,307
Operating expenses	(60,275)	(56,531)	(58,110)	(62,002)	(64,846)	(67,702)
Selling expense	(38,598)	(32,727)	(33,586)	(35,664)	(37,195)	(38,714)
Admin expense	(12,178)	(13,424)	(13,784)	(14,661)	(15,412)	(16,137)
R&D expense	(9,499)	(10,380)	(10,740)	(11,676)	(12,238)	(12,851)
Others	0	0	0	0	0	0
Operating profit	16,377	19,198	21,654	25,092	27,094	29,514
Other income	2,086	2,088	1,921	2,643	2,770	2,909
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	21,309	24,781	27,651	28,642	30,644	33,033
Depreciation	(4,026)	(4,677)	(5,091)	(2,644)	(2,644)	(2,613)
Other amortisation	(906)	(906)	(906)	(906)	(906)	(906)
Interest income	826	1,603	1,968	2,049	2,261	2,480
Interest expense	(995)	(2,165)	(2,705)	(2,636)	(2,636)	(2,636)
Other income/expense	1,582	1,575	1,816	1,710	1,792	1,882
Pre-tax profit	17,790	20,211	22,733	26,215	28,511	31,240
Income tax	(3,058)	(3,123)	(3,157)	(4,011)	(4,362)	(4,780)
Minority interest	(21)	(491)	(835)	(908)	(952)	(999)
Net profit	14,732	17,088	19,576	22,204	24,149	26,460

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	130,383	138,914	151,690	165,974	176,409	188,122
Cash & equivalents	53,369	56,683	54,981	61,256	67,037	73,681
Account receivables	25,494	31,473	38,592	41,956	43,976	46,177
Inventories	41,543	39,525	43,044	46,833	48,953	51,263
Prepayment	6,552	7,644	9,812	10,667	11,181	11,740
ST bank deposits	0	0	0	0	0	0
Other current assets	3,425	3,589	5,261	5,261	5,261	5,261
Non-current assets	105,460	122,154	138,424	146,823	155,749	165,280
PP&E	31,857	39,871	43,603	51,908	60,741	70,178
Investment in JVs & assos	0	20,196	20,932	20,932	20,932	20,932
Intangibles	9,135	8,072	9,127	8,221	7,314	6,408
Other non-current assets	64,468	54,015	64,762	65,762	66,762	67,762
Total assets	235,843	261,068	290,114	312,796	332,158	353,403
Current liabilities	118,747	123,930	149,722	159,197	164,616	170,517
Short-term borrowings	12,485	10,999	24,127	24,127	24,127	24,127
Account payables	66,975	72,179	75,737	82,403	86,135	90,199
Tax payable	1,703	1,586	2,650	2,650	2,650	2,650
Other current liabilities	37,584	39,166	47,208	50,017	51,704	53,541
Non-current liabilities	23,673	35,872	29,026	29,934	30,885	31,884
Long-term borrowings	13,627	18,417	9,666	9,666	9,666	9,666
Other non-current liabilities	10,046	17,455	19,360	20,268	21,219	22,218
Total liabilities	142,420	159,802	178,748	189,131	195,501	202,402
Share capital	9,447	9,438	9,383	9,383	9,383	9,383
Retained earnings	83,976	91,828	101,983	104,076	116,157	129,416
Other reserves	0	0	0	10,206	11,117	12,202
Total shareholders equity	93,423	101,266	111,366	123,665	136,657	151,001
Total equity and liabilities	235,843	261,068	290,114	312,796	332,158	353,403

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	17,790	20,211	22,733	26,215	28,511	31,240
Depreciation & amortization	4,932	5,583	5,997	3,550	3,550	3,519
Tax paid	(2,358)	(3,842)	(2,844)	(4,011)	(4,362)	(4,780)
Change in working capital	(2,969)	(8)	(3,555)	1,467	764	832
Others	2,758	4,592	4,212	2,636	2,636	2,636
Net cash from operations	20,153	26,536	26,543	29,857	31,098	33,447
Investing						
Capital expenditure	(8,204)	(10,542)	(10,071)	(10,949)	(11,476)	(12,050)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	(716)	(6,798)	(10,003)	(1,000)	(1,000)	(1,000)
Net cash from investing	(8,920)	(17,340)	(20,074)	(11,949)	(12,476)	(13,050)
Financing						
Dividend paid	(4,297)	(5,284)	(7,537)	(8,997)	(10,206)	(11,117)
Net borrowings	3,677	2,088	4,078	0	0	0
Proceeds from share issues	940	0	0	0	0	0
Share repurchases	(2,012)	(1,802)	(559)	0	0	0
Others	(2,130)	(2,923)	(3,896)	(2,636)	(2,636)	(2,636)
Net cash from financing	(3,822)	(7,921)	(7,914)	(11,633)	(12,842)	(13,753)
Net change in cash						
Cash at the beginning of the year	44,958	53,369	56,683	54,981	61,256	67,037
Exchange difference	1,000	2,039	(257)	0	0	0
Others	7,411	1,275	(1,445)	6,275	5,781	6,644
Cash at the end of the year	53,369	56,683	54,981	61,256	67,037	73,681
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	7.0%	12.6%	4.3%	8.7%	4.8%	5.0%
Gross profit	7.3%	(1.2%)	5.7%	8.5%	5.6%	5.8%
Operating profit	17.3%	17.2%	12.8%	15.9%	8.0%	8.9%
EBITDA	16.5%	16.3%	11.6%	3.6%	7.0%	7.8%
Net profit	11.5%	16.0%	14.6%	13.4%	8.8%	9.6%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	30.6%	26.9%	27.2%	27.2%	27.4%	27.6%
Operating margin	6.7%	7.0%	7.6%	8.1%	8.3%	8.6%
EBITDA margin	8.8%	9.0%	9.7%	9.2%	9.4%	9.7%
Return on equity (ROE)	17.0%	17.6%	18.4%	18.9%	18.6%	18.4%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	1.1	1.1	1.0	1.0	1.1	1.1
Receivable turnover days	38.2	41.9	49.3	49.3	49.3	49.3
Inventory turnover days	89.8	71.9	75.5	75.5	75.5	75.5
Payable turnover days	144.7	131.4	132.8	132.8	132.8	132.8
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	15.3	13.5	11.9	10.6	9.7	8.8
P/E (diluted)	15.3	13.5	11.9	10.6	9.7	8.8
P/B	2.4	2.2	2.0	1.8	1.6	1.5
P/CFPS	11.2	8.4	8.4	7.5	7.2	6.7
Div yield (%)	2.3	3.3	4.0	4.8	5.3	5.8

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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