



農銀國際

ABC INTERNATIONAL

ABCI SECURITIES COMPANY LIMITED



ABCI Research

China Airport Sector

Domestic travel: the ticket to recovery

June 7, 2021

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China Airport Sector

Domestic travel: the ticket to recovery

- Global vaccination rate is still low, suppressing international passenger throughput in China
- The number of air passengers in China is expected to grow 12%/19%YoY in 2021E /22E.
- National cargo throughput in China is expected to rebound by 23%YoY in 2021E and report a 6%YoY growth in 2022E.
- NEUTRAL** sector outlook; **Shenzhen Airport (000089 CH, BUY)** is our top pick.

Global vaccination rate worldwide is still low, suppressing China's international passenger throughput. According to BBC and Our World in Data, as of May 27, 2021, average vaccination rate (total vaccinations per 100 people) of whole world was 23.2. Despite improved from 15.1 as of May 4, 2021, overall vaccination rate is still low; also, governments are vigilant to guard against the virus variants. Therefore, chances of a substantial recovery in international travel are slim. We believe China's international passenger throughput will be poor and domestic passenger will become the key revenue driver to airports in the near future.

Air passengers to grow 12%/19%YoY in 2021E and 2022E. We expect China's air passengers would increase by 12%YoY on the back of the 14%YoY growth in domestic passengers. Foreign air passengers would be down by 80% YoY in 2021E as global vaccination rate has remained low by far. For 2022E, we expect domestic air passengers to increase by 19% YoY, reaching 94% of the 2019-level; foreign air passengers would climb 300% YoY on rising vaccination rate. We estimate total passenger throughput by then would be up by 19% YoY.

National cargo throughput to increase by 23%/6%YoY in 2021E/22E. National cargo throughput in 2020 was down 10% YoY where the decline is smaller than passenger throughput and the rebound has been swift and strong. According to the data of Civil Aviation Administration of China (CAAC), in Mar 2021, cargo throughput was 0.65mt, jumped 35% YoY, reaching 104% of the level in Mar 2019. These figures indicate cargo business has fully recovered. For 2021E, we estimate travelling is still restricted in most areas; demand for goods would still be strong, spurring the need for air delivery service. As such, we expect a 23%YoY increase in cargo throughput. For 2022E, we believe the pandemic impact would fade; hence, growth in cargo throughput would moderate to 6%YoY.

NEUTRAL sector outlook; top pick is Shenzhen Airport (SZA, 000089 CH, BUY). Low global vaccination rate and the emergence of virus variants would suppress foreign passenger throughput growth in China. We believe recovery in the air transportation industry will take time. We assign a **NEUTRAL** sector outlook and advise investors to focus on domestic-oriented airports. **SZA (000089 CH)** is our top pick.

Risks. (1) Disease outbreak would reduce travelling demand; (2) Slowdown in economy would reduce disposal income and traveling demand; (3) Technological advancement in high-speed railway would lower demand for short-haul flights; (4) Fear of terrorist attacks may reduce air travel; (5) Earthquake and other natural disasters will reduce tourist flow and travelling demand.

Sector Report

June 7, 2021

NEUTRAL

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Key Data

Avg.22E P/E (x)	26.16
Avg.22E P/B (x)	1.57
Avg.22E Dvd. Yield (%)	2.04

Source(s): ABCI Securities estimates

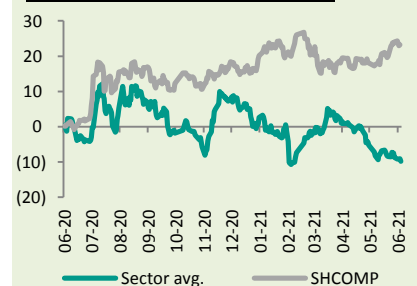
Sector Performance

	Absolute	Relative*
1-mth	(4.71%)	(8.92%)
3-mth	(9.50%)	(12.07%)
6-mth	(16.57%)	(20.84%)

*Relative to SHCOMP

Source(s): Bloomberg, ABCI Securities

1-Year sector performance (%)



Source(s): Bloomberg, ABCI Securities

Sector Valuation Summary

Company	Ticker	Rating	TP (HK\$/RMB)	FY21E P/E(x)	FY22E P/E (x)	FY21E P/B (x)	FY22E P/B (x)	FY21E Yield (%)	FY22E Yield (%)
Shenzhen Airport	000089 CH	BUY	9.50	30.3	19.8	1.3	1.3	0.8	1.3
GZ Baiyun Int'l Airport	600004 CH	HOLD	11.40	964.4	30.2	1.3	1.3	0.0	1.0
Xiamen Int'l Airport	600897 CH	HOLD	16.50	21.2	11.4	1.3	1.2	1.4	2.6
Beijing Capital Int'l Airport – H	694 HK	SELL	4.40	n.a.	21.4	1.0	1.0	0.0	4.7
Shanghai Int'l Airport	600009 CH	SELL	40.00	n.a.	48.2	3.4	3.2	0.0	0.8

Source(s): Bloomberg, ABCI Securities estimates

China airport sector 2021E/22E outlook: domestic passenger to save the day

With the low global vaccination rate and emerging virus variants, foreign passenger throughput in China will be suppressed. We believe domestic passengers would serve as the key revenue driver for China's airports in the next three years and advise investors to focus on domestic-oriented airport operators, such as **Shenzhen Airport (000089 CH, BUY)**.

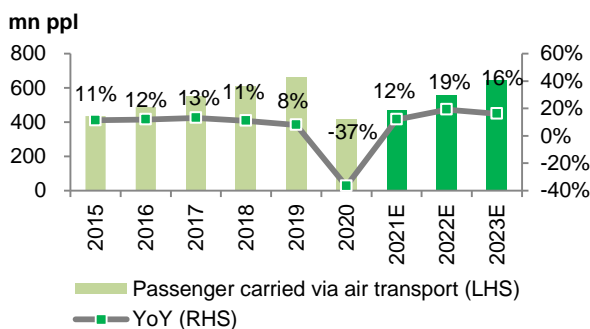
Global vaccination rate is still low, suppressing pressure China's international passenger throughput

According to BBC and Our World in Data, as of May 27, 2021, vaccination rate (total vaccinations per 100 ppl) in the UK, US, France and Germany were 93.8, 86.9, 50.7, and 57.8, respectively. In Asia, vaccination rate in China, Japan, Korea and India were 40.5, 8.8, 13.2, and 14.6, respectively. Substantial recovery in international passenger flights is unlikely, especially since governments worldwide are highly vigilant against virus variants. We believe China's international passenger throughput will be suppressed, and domestic passengers will be the key support.

Air passengers are expected to grow 12%/19%YoY in 2021E /22E

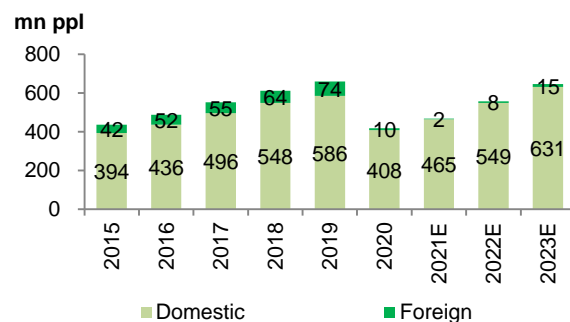
Affected by COVID-19, air passengers from China dipped 37%YoY in 2020 to 418mn, the lowest since 2014. The situation has started to recover partially since Apr 2020, and we expect China's air passenger number to increase by 12% YoY 2021E on the back of the 14% YoY growth in domestic passengers. Foreign passengers would decline by 80% YoY in 2021E. For 2022E, we expect domestic passengers to report an 19% YoY growth, reaching 94% of 2019-level; foreign passenger would jump 300% YoY as vaccination rate rises, bringing total passenger throughput up by 19% YoY. In summary, we believe China's passenger throughput in the next three years would rely mainly on domestic passengers. Hence, investors should focus more on airport operators with a high exposure to domestic flights.

Exhibit 1: The number of air passengers in China has grown strongly



Source(s): NBS, World Bank, ABCI Securities estimates

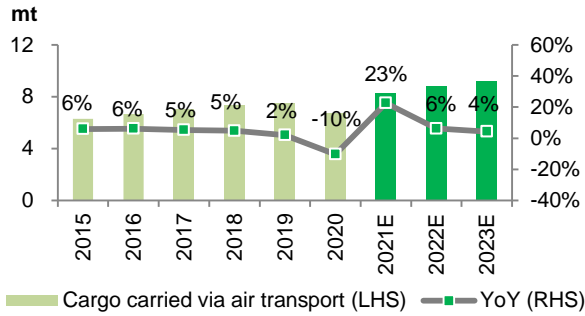
Exhibit 2: Most of the flight trips made by passengers in China are domestic ones



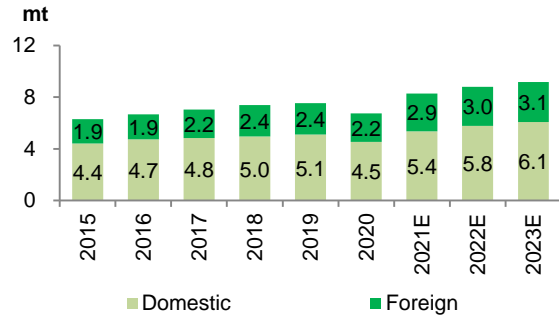
Source(s): NBS, World Bank, ABCI Securities estimates

National cargo throughput to increase by 23%/6%YoY in 2021E/22E

National cargo throughput reported a 10%YoY decline in 2020, yet the rebound has been swift and strong. According to the data of Civil Aviation Administration of China (CAAC), in Mar 2021, cargo throughput was 0.65mt, up 35% YoY, reaching 104% of the level in Mar 2019, indicating a full recovery from the pandemic shock. For 2021E, as traveling is still restricted in most areas, demand for goods would be strong, spurring the need for air delivery service. We estimate cargo throughput would rise by 23%YoY; for 2022E, with the fading pandemic impact, demand for air delivery would soften and therefore, we expect a 6%YoY growth. Unlike passenger throughput, we believe foreign cargo throughput would contribute to more than 30% of total cargo throughput in next three years since demand for foreign goods will remain strong.

Exhibit 3: China's cargo carried via air


Source(s): NBS, World Bank, ABCI Securities estimates

Exhibit 4: Breakdown of cargo carried via air


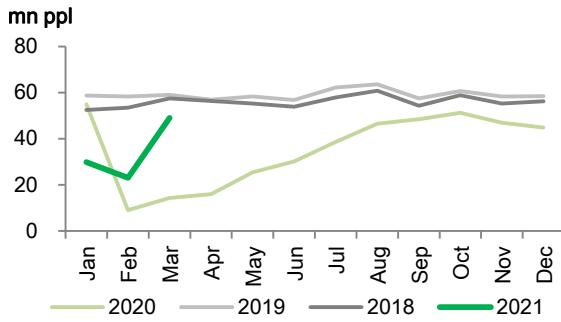
Source(s): NBS, World Bank, ABCI Securities estimates

Post-COVID-19 recovery

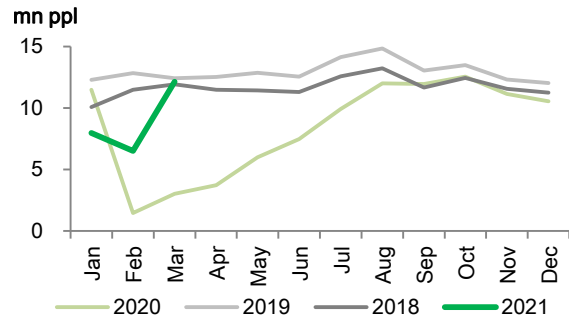
Passenger throughput in China's airports has been recovering partially since Apr 2020 from COVID-19, according to the data by the Civil Aviation Administration of China.

- ◆ **Eastern region:** Recovery is slower than the national average. Passenger throughput in Mar 2021 was 83% of the Mar 2019 level, slower than the national average of 90%. We believe business trips to and from China's mega cities, which are mostly in the eastern region, have not been fully resumed yet.
- ◆ **Central region:** Recovery is swift. Passenger throughput in Mar 2021 was 98% of Mar 2019 monthly level, higher than the national average of 90%.
- ◆ **Western region:** Recovery is swift. Passenger throughput in Mar 2021 was 98% of Mar 2019 monthly level, higher than the national average. We believe the resumption of flights in the region has supported the rebound.
- ◆ **Northeast region:** Recovery is slow, Passenger throughput in Mar 2021 reached 94% of Mar 2019 monthly level, higher than the national average.

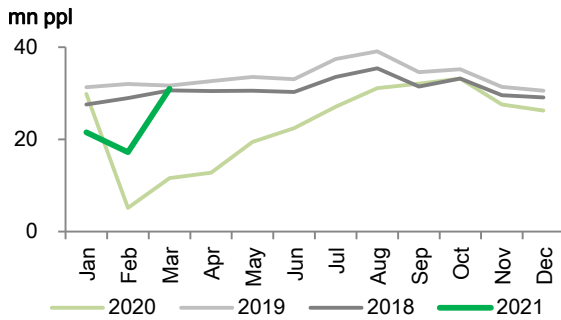
We believe rebound in central and western regions were stronger than eastern one mainly due to 1).the 2020 low base in total passenger throughput; 2).eastern region usually has a higher exposure to international passenger throughput, which declined by 87% YoY in 2020 vs. the 30% YoY decline in domestic passenger throughput.

Exhibit 5: Passenger throughput in the eastern region


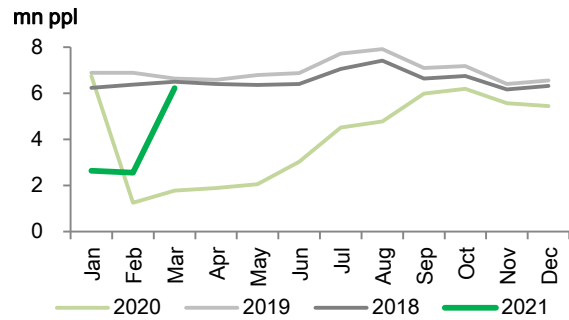
Source(s): Civil Aviation Administration of China, ABCI Securities

Exhibit 6: Passenger throughput in the central region


Source(s): Civil Aviation Administration of China, ABCI Securities

Exhibit 7: Passenger throughput in the western region


Source(s): Civil Aviation Administration of China, ABCI Securities

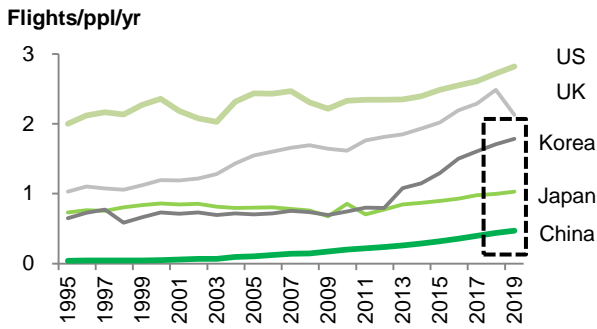
Exhibit 8: Passenger throughput in the northwest region


Source(s): Civil Aviation Administration of China, ABCI Securities

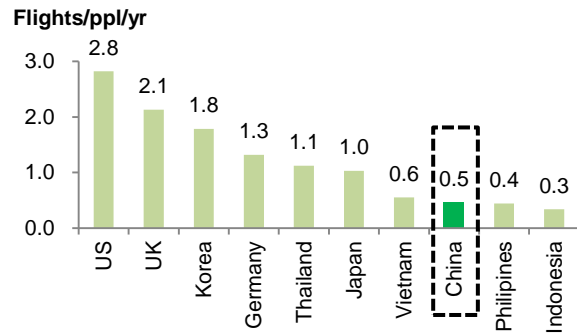
Long-term trend of the China airport sector

Trend 1: China's low average flight per capita per year indicates great potential for aviation industry

We believe China's current low average flight per capita per year would drive demand for air travel as disposal income per capita rises. According to the World Bank, in 2019, the average flight per capita per year (number of air passengers divided by total population) of China was 0.47, far below US's 2.82, UK's 2.13, Korea's 1.79, and Germany's 1.32. For developing countries in Asia such as Thailand and Vietnam, the figures were 1.12 and 0.55. The average flight per capita per year can be regarded as the proxy for the number of times each China resident travels per year. We believe as disposal income increases, residents would increase the number of tours. The low figure in China indicates great room for development.

Exhibit 9: Average flight per capita per year


Source(s): World Bank, ABCI Securities

Exhibit 10: Average flight per capita per year (2019)


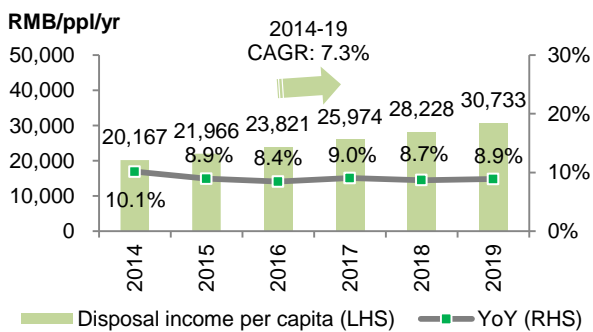
Source(s): World Bank, ABCI Securities

Trend 2: Rising urbanization would benefit airports in major cities the most

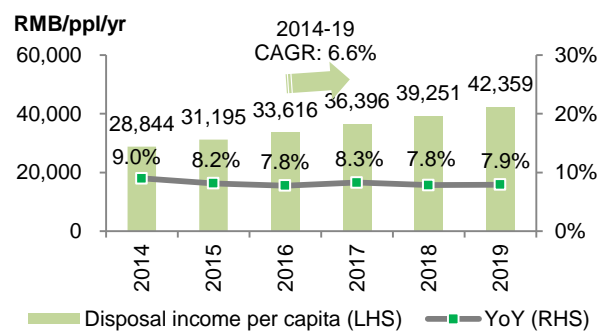
The Chinese government has been promoting urbanization to help reduce the unit cost of public facilities such as hospitals, parks, and schools. Job opportunities and higher living standard have attracted population to major cities, bringing more opportunities to airports, especially those in tier-1 cities such as Beijing, Shanghai, Guangzhou, and Shenzhen. According to the National Bureau of Statistics (NBS), population in urban areas increased from 541mn in 2004 to 848mn by end-2019, a 62% jump or 3% CAGR in 15 years' time.

Trend 3: Increasing disposal income per capita would support demand for travelling

We believe the rising disposal income would spur demand for air travel. According to National Bureau of Statistics (NBS), the national average disposal income per capita increased from RMB 20,167 in 2014 to RMB 30,733 in 2019, indicating a 7.3% CAGR during the period. For residents in urban area, the figure was RMB 28,844 in 2014 to RMB 42,359 in 2019, representing a 6.6% CAGR during the period. We believe rising disposal income will boost flight per capita per year and drive up demand for air travel.

Exhibit 11: National average disposal income per capita


Source(s): National Bureau of Statistics, ABCI Securities

Exhibit 12: Urban area average disposal income per capita


Source(s): National Bureau of Statistics, ABCI Securities

Trend 4: Rise of low-cost carriers and traveling apps would spur demand for air travel

Over the last two decades, low-cost carriers have expanded rapidly in China and around the world. According to Statista data, the global market share of low-cost carriers rose from 15.7% in 2006 to 31% in 2019. The cost of air travel has been declining, which supports demand for airline services. Popular apps like Booking.com, Trip.com, Hotels combined, etc., have simplified the hotel and flight booking procedures, boosting the number of air travels.

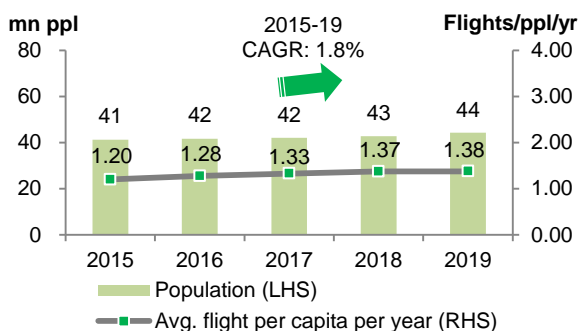
Population growth and average flight per capita per year in China

According to the Ministry of Housing and Urban-Rural Development (MOHURD), Shenzhen district has the fastest population growth among the coastal regions in China.

- ◆ **Shanghai district:** According to MOHURD data, total population in Shanghai district (including the seven cities: Shanghai, Wuxi, Suzhou, Changzhou, Changshou, Nantong, and Jiaying) reached 44.3mn in 2019, up 3.3% YoY over 2018, driven by strong growth in transient population in Suzhou (+89%YoY). For 2015-19, population CAGR was 1.8%
- ◆ **Shenzhen district:** According to MOHURD, total population in Shenzhen district (including four cities: Shenzhen, Jiangmen, Dongguan, and Zhongshan) reached 28.5mn in 2019, up 20.4% YoY, driven by strong growth in transient population in Dongguan (+55% YoY) and Zhongshan (+5366%). For 2015-19, population CAGR was 6.8%.
- ◆ **Guangzhou district:** According to MOHURD data, total population in Guangzhou district (including six cities: Guangzhou, Foshan, Zhaoqing, Sihui, Qingyuan, and Yingde) reached 30.7mn in 2019, a 8.4% YoY increase over 2018, mainly driven by rapid growth in transient population in Foshan (+115% YoY). For 2015-19, population CAGR was 2.7%.
- ◆ **Capital district:** According to MOHURD data, total population in Capital district (including four cities: Beijing, Baoding, Zhuozhou, and Langfang) reached 26.4mn in 2019, down 0.3% YoY, mainly due to decrease in transient population in Baoding (-30% YoY). For 2015-19, the population CAGR was zero.
- ◆ **Xiamen district:** Total population in Xiamen district (including four cities: Xiamen, Zhangzhou, Longhai, and Longyan) reached 8.4mn in 2019, a 4.0% YoY increase over 2018, mainly driven by strong growth in transient population in Zhangzhou (+41%YoY). For 2015-19, population CAGR was 2.9%.

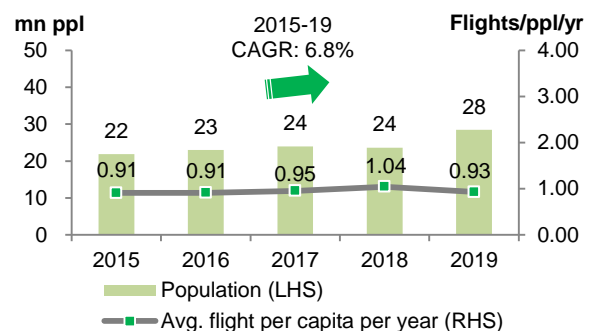
In summary, Shenzhen district had the highest population growth in 2019 due to the strong growth in transient population in Dongguan and Zhongshan. Permanent population growth in Dongguan was robust (+9.9%YoY); for Shenzhen city, it was 3.2%. We believe strong population growth in Shenzhen and Dongguan would be drive up the number of air passengers.

Exhibit 13: Population growth and average flight per capita per year in the Shanghai district

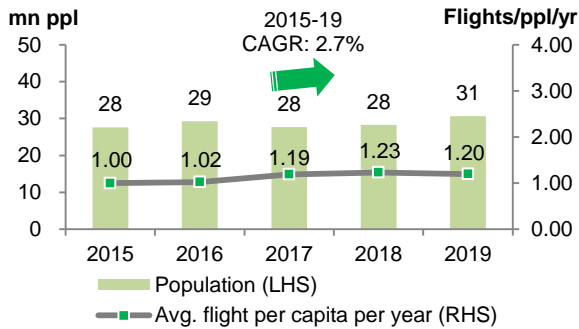


Source(s): MOHURD, ABCI Securities

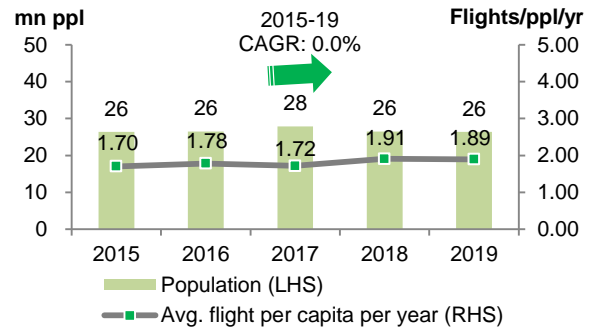
Exhibit 14: Population growth and average flight per capita per year in the Shenzhen district



Source(s): MOHURD, ABCI Securities

Exhibit 15: Population growth and average flight per capita per year in the Guangzhou district


Source(s): MOHURD, ABCI Securities

Exhibit 16: Population growth and average flight per capita per year in the Capital district


Source(s): MOHURD, ABCI Securities

Challenges in the China airport sector

Infectious disease outbreak would reduce the number of passengers

COVID-19 in 2020 has reduced economic activities worldwide; passenger throughput dropped sharply on travel restrictions. Outbreak of infectious diseases in the future may have similar impacts.

Slowdown in economy would reduce travelling

Slowdown in economic growth (such as the Global Financial Crisis in 2007-2008) will affect passenger throughput since both leisure and business travels are reduced to save cost.

Technological advancement in high-speed railway would lower demand for short-haul flight

The average speed of China's high-speed trains is ~300-350km/hour, far below the 800-1,000km/hour for airplanes. The ticketing and related costs are much lower for trains, however, rendering it an ideal means of short-distance travel (< 1000km). We believe further technological advancement in high-speed railway would reduce the demand for short-haul air travel.

Terrorist attacks may reduce desire to travel

The Sep11 attack (9/11) in 2001 has cast a long shadow worldwide, with flying anxiety spiking after the incident. Increased frequency of terrorist attack would reduce willingness to fly and travelers may opt for other means of transportation.

Shenzhen Airport (000089 CH)

Domestic-oriented airport to gain from growing tech hub's population

- Rapid population growth in Shenzhen would benefit SZA in the long run
- Passenger throughput: 23%/ 25% YoY growth in 2021E/22E
- Cargo throughput: 25%/10%YoY growth in 2021E/22E
- Adjusted net profit: 16 times jump in 2021E; 53%YoY growth in 2022E
- Maintain **BUY** with TP of RMB 9.50, which implies 36.3x 2021E P/E and 1.57x 2021E P/B

Decrease in international passenger throughput has limited impact on SZA. Global vaccination rate is low. According to BBC and Our World in Data, as of May 27, 2021, global vaccination rate (total vaccinations per 100 ppl) was ~23.2, suggesting international traffic would recover only slowly. Key customers of Shenzhen Airport (SZA) are domestic passengers, which accounted for 89% and 98% of SZA's total passenger throughput in 2019 and 2020.

Key competitive edge: population growth in China's technology hub. Shenzhen is the technology hub of China; positive prospects of the city will attract population. According to MOHURD, as of end-2019, total population (permanent and temporary residents) in the Shenzhen district (including Dongguan, Zhongshan, and Jiangmen) reached 28.5mn, up 20% YoY growth, mainly driven by 82% YoY growth in temporary residents in the Shenzhen district. We believe population growth in the region would benefit SZA.

Passenger throughput: 23%YoY growth in 2021E; further 25%YoY growth in 2022E. As negative impacts of COVID-19 continue to retreat in China, the recovery of domestic passengers would be much faster than that of the international ones. Benefiting from solid growth in urban population in Shenzhen and Dongguan, we expect the overall passenger throughput in SZA would gain 23%/25% YoY in 2021E/22E.

Cargo throughput: 25%/10%YoY growth in 2021E/22E. We believe as Shenzhen is growing into an international technology hub in China. Demand for domestic and foreign goods would grow stronger. We expect SZA's 2021E/22E cargo throughput to increase by 25%/10%YoY.

Adjusted net profit: 16 times growth in 2021E due to low base; 53%YoY growth in 2022E. We expect SZA to report RMB 536mn in adjusted net profit for 2021E, 16 times higher than that in 2020 partially due to the low base effect. For 2022E, driven by the 25%/10%YoY growth in total passenger /cargo throughput and improved margins, we expect another 53%YoY jump in adjusted net profit.

TP at RMB 9.50; maintain BUY. Our DCF-derived TP implies 36.3x 2021E P/E and 1.57x 2021E P/B.

Results and Valuation

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Revenue (RMB mn)	3,807	2,997	3,766	4,758	5,798
Chg (% YoY)	5.8	-21.3	25.7	26.3	21.9
Adj. net profit [#] (RMB mn)	676	32	536	822	963
Chg (% YoY)	0.8	-95.3	1,575.0	53.2	17.2
EPS (RMB)	0.330	0.016	0.262	0.401	0.470
Chg (% YoY)	0.8	-95.3	1,575.0	53.2	17.2
BVPS (RMB)	5.882	5.820	6.062	6.314	6.666
Chg (% YoY)	3.7	-1.1	4.2	4.2	5.6
P/E (x)	24.05	507.46	30.30	19.78	16.87
P/B (x)	1.35	1.36	1.31	1.26	1.19
ROAE (%)	5.01	0.23	4.41	6.48	7.24
ROAA (%)	4.32	0.19	3.40	4.73	4.95
DPS (RMB)	0.080	0.000	0.065	0.100	0.118
Dvd yield (%)	1.01	0.00	0.83	1.26	1.48
Net gearing* (%)	Net cash	Net cash	4.4	12.7	17.0

* Net gearing=Net debt/Total equity;

[#]Adj. net profit = net profit excluded fair value change, impairment loss and non-operating income

Source(s): Bloomberg, ABCI Securities estimates

Company Report

June 7, 2021

Rating: **BUY**

TP: **RMB 9.50**

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Share price (RMB)	7.93
Est. share price return	19.80%
Est. dividend yield	0.83%
Est. total return	20.62%
Previous rating	BUY
Previous TP	10.50
Previous report date	27 Oct 2020

Source(s):, ABCI Securities estimates

Key Data

52Wk H/L(RMB)	11.7/7.3
Issued shares (mn)	2,051
Market cap (RMB mn)	16,263
3-mth avg daily turnover (RMB mn)	184
Major shareholder(s):	
Shenzhen SASAC.	57.0%

Source(s): Company, ABCI Securities

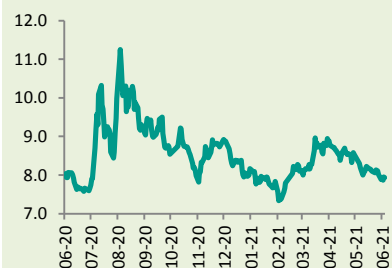
Share Performance (%)

	Absolute	Relative*
1-mth	(7.03)	(11.24)
3-mth	(2.94)	(5.50)
6-mth	(10.09)	(14.37)

*Relative to SHCOMP

Source(s): Bloomberg, ABCI Securities

1-Year share price performance (RMB)



Source(s): Bloomberg, ABCI Securities

2021/22E outlook: strong population growth in the Shenzhen district – a great plus for SZA

Decrease in international passenger throughput has limited impact on SZA

Global vaccination rate is low, According to BBC and Our World in Data, as of May 27 2021, global vaccination rate (total vaccinations per 100 people) was ~23.2, suggesting international flight would recover only slowly. For SZA, international passenger throughput only accounts for a small proportion of total passenger throughput. By end-2019 (before the outbreak of COVID-19), international passenger accounted for only 10% of SZA's total compared to domestic passenger's 89%. The lower international exposure can be attributed to the nearby Hong Kong International Airport absorbing most international passengers. We believe recovery of the international flight would be slow. Since SZA's business concerns mostly on domestic flights, impact of reduced international travel is limited.

Key competitive edge: population growth in China's technology hub

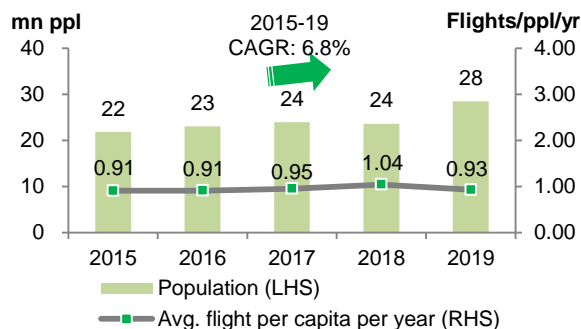
Shenzhen is the technology hub of China as the city cultivates internet and high-tech giants such as Da-Jiang Innovation, ZTE, etc. Shenzhen is also the headquarters of renowned financial companies. Its close proximity to Hong Kong has also helped attract foreign investment. We believe population in Shenzhen would continue to increase, boosting traffic in the SZA.

According to MOHURD, as of end-2019, total population (permanent and temporary residents) in the Shenzhen district (including Shenzhen, Dongguan, Zhongshan, and Jiangmen) reached 28.5mn, up 20%YoY, thanks to the 82%YoY growth in temporary residents in the Shenzhen district. The 4-year population CAGR in the district was 6.8%, of which population in the Shenzhen city (2015-19 CAGR: 4.2%) and Dongguan (2015-19 CAGR: 12.6%) showed moderate to strong increase. SZA will benefit from the rising population and living standard in China's technology hub.

The lowest average flight per capita per year ratio suggests strong growth potential

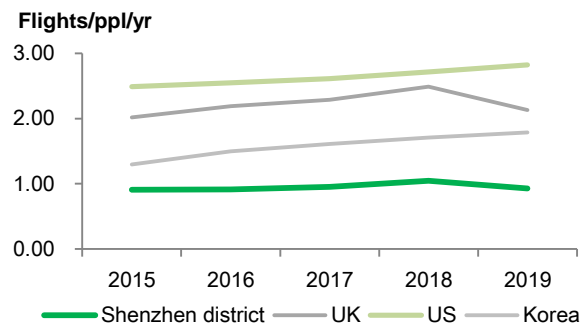
Benefiting from strong increase in population in Shenzhen district, the average flight per capita per year ratio was 0.93 in 2019, down from 1.04 in 2018, suggesting residents in the region travel less than once a year by air. The low figure suggests large growing room for SZA.

Exhibit 17: Population and average flight per capita per year ratio in the Shenzhen district



Source(s): MOHURD, ABCI Securities

Exhibit 18: Average flight per capita per year ratio comparison: Shenzhen district remains low compared to advanced countries



Source(s): MOHURD, World Bank, ABCI Securities

Passenger throughput: 23%YoY growth in 2021E; 25%YoY growth in 2022E

Unlike the Shanghai International Airport, key customers of SZA are domestic passengers that accounted for 89% and 98% of total passenger throughput in 2019 and 2020. As negative impacts of COVID-19 fade in China while the global situation remains uncertain, the recovery of domestic passengers would be much faster than that of the international ones. Benefiting from solid growth in urban population in Shenzhen and Dongguan, we expect SZA's 2021E passenger throughput to gain 23%/ 25% YoY for 2021E/22E.

Cargo throughput: 25%/10%YoY growth in 2021E/22E

SZA's cargo throughput in 4M21 grew 37%YoY, mainly driven by the 86% YoY leap in international cargo throughput. We believe as Shenzhen solidifies its position as an international city and technology hub in China, demand for domestic and foreign goods would go up, boosting cargo throughput in SZA. We expect SZA's 2021E/22E cargo throughput to increase by 25%/10% YoY.

Adjusted net profit: 16 times growth in 2021E due to low base; 53%YoY growth in 2022E

We expect SZA to report RMB 536mn in adjusted net profit (excluded impairment loss and change of fair value of assets) in 2021E, 16 times higher than that in 2020 due to the low base in 2020. For 2022E, driven by the 25%/10%YoY increase in total passengers and cargo throughput as well as improved margins, adjusted net profit would jump 53%YoY.

Maintain BUY, TP at RMB 9.50

We like SZA for its position as China's technology hub and the growing population in the Shenzhen city and Dongguan city. Given its key customers are domestic passengers; SZA is relatively unaffected by the low vaccination rate hampering international passenger throughput.

SZA's 1Q21 results are worse than expected due to the weaker-than-expected domestic and international passenger throughput. Cargo throughput, however, is better than our estimates, especially the international cargo. We revise down our 2021E/22E/23E total passenger throughput estimates by 25%/18%/15%; consequently, our net profit forecasts are revised down by 33%/11%/8% for 2021E/22E/23E.

Our TP at RMB 9.50 (previously at RMB 10.50) based on DCF valuation, implying 36.3x 2021E P/E and 1.57x 2021E P/B. Maintain **BUY**.

Exhibit 19: Changes in estimates

	Units	Old estimates		New estimates		Change		Main reasons
		2022E	2023E	2022E	2023E	2022E	2023E	
Adj. NP	RMBmn	925	1,042	822	963	-11.2%	-7.6%	Decreased passenger throughput to drag earnings.
EPS	RMB	0.45	0.51	0.40	0.47	-11.1%	-7.5%	Decreased passenger throughput to drag earnings
Valuation	RMBmn	21,534		19,481		-9.5%		Decrease in 2022E/23E earnings reduces valuation
TP	RMB	10.50		9.50		-9.5%		Decrease in 2022E/23E earnings reduces valuation

Source(s): ABCI Securities estimates

1Q21 results highlight

RMB 50mn net profit in 1Q21 - worse than our expectation

SZA's 1Q21 revenue was RMB 787mn (-40%YoY), achieving 17% of our previous 2021 full-year estimate, lower than the historical average run rate of 24%. Net profit was RMB 50mn (1Q20: RMB 121mn net loss), equivalent to 6% of our previous 2021 estimate, lower than the historical average run rate of 23%.

33%YoY growth in total passenger throughput driven by 46%YoY growth in domestic passenger throughput

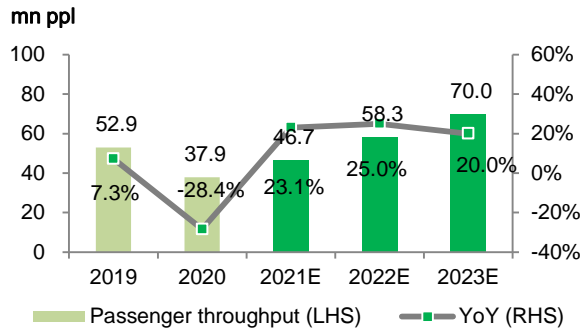
SZA's total passenger throughput was 9.1mn (+33%YoY), achieving 15% of our 2021 full-year estimate, lower than its historical average run rate of 25%. Domestic passenger throughput was the key driver, hitting 9.1mn (+46%YoY). International passenger throughput was down 95% YoY during the period.

41%YoY growth in total cargo throughput driven, thanks to 96%YoY jump in international cargo throughput

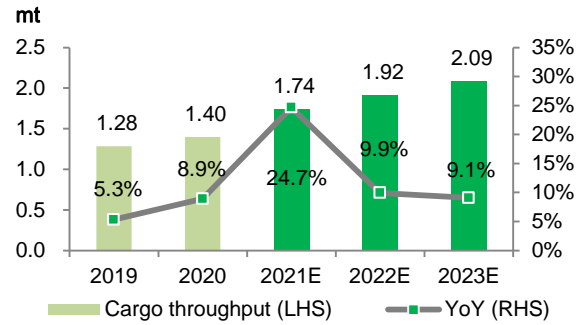
Total cargo throughput was 0.37mt (+41%YoY), achieving 25% of our previous 2021 estimate, higher than its historical average run rate of 22%. International cargo throughput was 0.14mt (+96%YoY), contributing to 38% of SZA's total cargo throughput during the period.

Risk factors

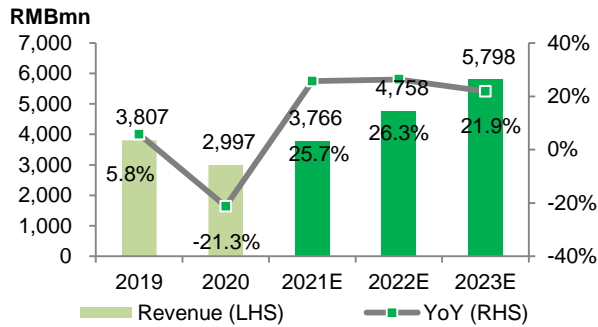
(1) Too concentrated in domestic passengers; (2) slowdown in population growth in Shenzhen district; (3) decelerate in disposal income per capita in Shenzhen district; (4) Competition from Hong Kong airport and Guangzhou airport.

Exhibit 20: SZA's passenger throughput outlook


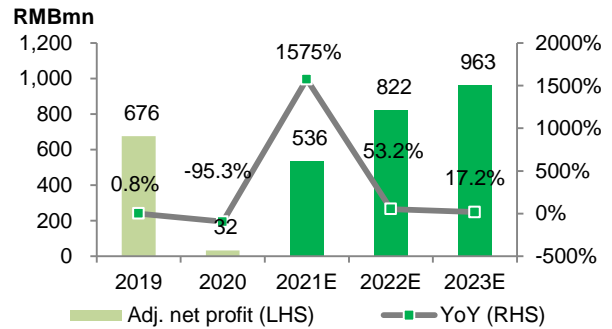
Source(s): Company, ABCI Securities estimates

Exhibit 21: SZA's cargo throughput outlook


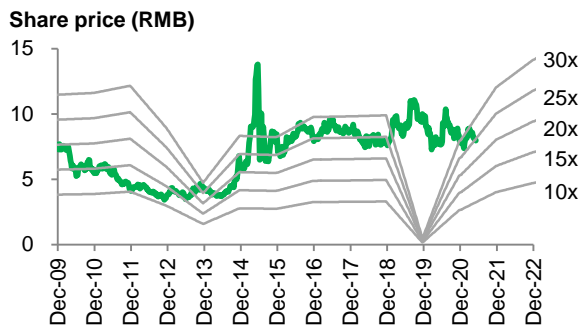
Source(s): Company, ABCI Securities estimates

Exhibit 22: SZA's revenue outlook


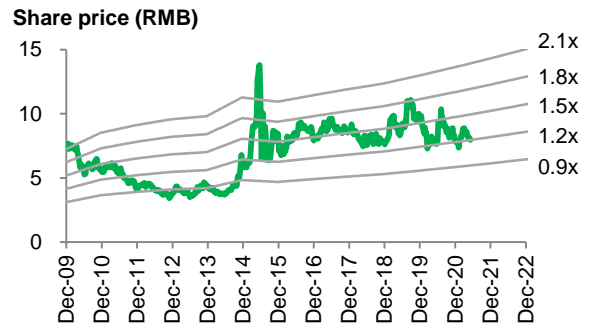
Source(s): Company, ABCI Securities estimates

Exhibit 23: SZA's adjusted net profit outlook


Source(s): Company, ABCI Securities estimates

Exhibit 24: SZA's fwd P/E chart


Source(s): Bloomberg, ABCI Securities estimates

Exhibit 25: SZA's fwd P/B chart


Source(s): Bloomberg, ABCI Securities estimates



Consolidated income statement

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Revenue	3,807	2,997	3,766	4,758	5,798
Aviation	3,147	2,400	3,042	3,915	4,838
Non-aviation	336	282	341	369	396
Others	324	315	383	474	564
Cost of sales	(2,985)	(2,867)	(3,021)	(3,611)	(4,408)
Gross Profit	822	130	744	1,147	1,389
SG&A expenses	(117)	(145)	(114)	(144)	(176)
Net financial income (cost)	51	34	(26)	(50)	(102)
Other income/ (expenses)	21	34	99	125	152
Profit before tax	777	53	703	1,078	1,263
Tax	(171)	(14)	(156)	(239)	(280)
Profit after tax	606	38	547	838	983
Profit attributable to:					
Minority interest	12	10	11	17	20
Equity shareholders of the Co.	594	28	536	822	963
Adj. equity shareholders of the Co.	676	32	536	822	963
Basic EPS (RMB)	0.290	0.014	0.262	0.401	0.470
Adj. basic EPS (RMB)	0.330	0.016	0.262	0.401	0.470
DPS (RMB)	0.080	0.000	0.065	0.100	0.118

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Current assets	3,183	2,184	2,038	2,418	2,973
Cash	2,583	1,467	1,423	1,821	2,189
Trade and bill receivables	521	455	576	545	726
Other receivables and prepayments	30	27	32	42	48
Inventories	6	9	6	10	10
Other current assets	43	226	0	0	0
Non-current assets	10,839	12,934	14,375	15,934	17,613
Property, plant & equipment	9,611	11,634	13,012	14,492	15,896
Intangible assets	251	254	256	259	261
Investment in JV and associates	835	832	873	916	961
Deferred tax assets	141	214	214	214	214
Other non-current assets	1	0	20	53	281
Total Assets	14,022	15,118	16,412	18,352	20,587
Current Liabilities	1,870	3,175	3,572	4,680	5,961
Trade and bill payables	18	19	17	23	26
Other payables	1,852	1,784	1,981	1,887	2,322
Short term borrowings	0	1,372	1,574	2,771	3,614
Other current liabilities	0	0	0	0	0
Non-current liabilities	73	3	393	693	903
Deferred tax liabilities	0	0	0	0	0
Long-term borrowings	0	0	393	693	903
Other non-current liabilities	73	3	0	0	0
Total Liabilities	1,943	3,178	3,965	5,373	6,865
Minority interests	16	14	25	42	62
Shareholders' equities	12,063	11,925	12,421	12,938	13,660

Source(s): Company, ABCI Securities estimates

Consolidated cash flow statement

FY ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Profit before tax	594	28	536	822	963
Change in depreciation and amortization	446	416	444	452	454
Change in Working Capital	1,056	(253)	294	(71)	251
Income tax paid	(194)	(171)	(14)	(156)	(239)
Others	(937)	481	(69)	(69)	(43)
Operating cash flow	964	501	1,192	978	1,387
CAPEX	(1,828)	(2,871)	(1,815)	(1,925)	(1,850)
Increase in intangible assets	0	(20)	(15)	(16)	(17)
Others	1,638	66	0	0	0
Investing cash flow	(190)	(2,825)	(1,830)	(1,942)	(1,867)
Net Capital raise	0	0	0	0	0
Net debt financing	0	1,371	595	1,496	1,054
Dividend payout	(227)	(177)	0	(134)	(205)
Others	0	0	0	0	0
Financing cash flow	(227)	1,194	595	1,362	848
Net change in cash	546	(1,129)	(43)	398	368
Cash at the beginning	2,484	2,583	1,467	1,423	1,821
Adjustment (Time deposit & FX effect)	(448)	13	0	0	0
Cash at the end	2,583	1,467	1,423	1,821	2,189

Source(s): Company, ABCI Securities estimates

Key ratio

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Sales mixed (%)					
Aviation	82.67	80.07	80.77	82.28	83.45
Non-aviation	8.82	9.43	9.05	7.75	6.83
Others	8.51	10.50	10.18	9.97	9.72
Total	100	100	100	100	100
Profit & loss ratios (%)					
Gross margin	21.59	4.33	19.77	24.12	23.96
Operating profit margin	18.65	-0.31	16.86	21.21	21.05
Pre-tax margin	20.41	1.76	18.68	22.65	21.79
Net profit margin	15.91	1.28	14.53	17.62	16.95
Selling & administrative expenses/revenue	3.06	4.83	3.03	3.03	3.03
Effective tax rate	22.07	27.09	22.20	22.20	22.20
Growth (%)					
Revenue	5.76	(21.27)	25.66	26.35	21.85
Gross profit	(3.14)	(84.22)	473.96	54.13	21.09
Operating profit	(4.13)	n.a.	n.a.	58.92	20.98
Net profit	(11.18)	(93.65)	1,322.56	53.20	17.24
Balance sheet ratios					
Current ratio (x)	1.70	0.69	0.57	0.52	0.50
Quick ratio (x)	1.66	0.61	0.56	0.51	0.49
Cash ratio (x)	1.38	0.46	0.40	0.39	0.37
Trade and bill receivables days	43.32	59.46	50.00	43.00	40.00
Trade and bill payables turnover days	2.25	2.35	2.20	2.00	2.00
Inventory turnover days	0.72	0.94	0.90	0.80	0.80
Total debt / equity ratio (%)	0.00	11.49	15.81	26.68	32.92
Net debt / equity ratio (%)		Net cash	Net cash	4.37	12.65
Returns (%)					
ROAA	4.32	0.19	3.40	4.73	4.95
ROAE	5.01	0.23	4.41	6.48	7.24
Payout ratio	27.63	0.00	25.00	25.00	25.00

Source(s): Company, ABCI Securities estimates

GZ Baiyun Int'l Airport (600004 CH)

Short-term recovery unlikely

- 1Q21 revenue dropped 10%YoY, adjusted net loss at RMB145mn
- Passenger throughput: 16%YoY growth in 2021E; 25%YoY growth in 2022E.
- Cargo throughput: 24%YoY growth in 2021E; 13%YoY growth in 2022E.
- Adjusted net profit: RMB 25mn in 2021E; RMB 797mn in 2022E.
- Downgrade to **HOLD** with TP of RMB 11.40, which implies 1.28x 2021E P/B.

1Q21 revenue dropped 10%YoY, adjusted net loss at RMB 145mn – results are worse than expected. Guangzhou Baiyun Int'l Airport (GZA)'s 1Q21 revenue was RMB 1,185mn (-10%YoY), accounting for 16% of our previous 2021 estimate, running behind its historical run rate of 24%. Adjusted net loss (excluded impairment loss and fair value change of assets) was reported at RMB 145mn, which is worse than expected.

Passenger throughput: 16%YoY growth in 2021E; 25%YoY growth in 2022E. We believe passenger throughput will be back on track, with domestic passengers being the major force as vaccination rate in China rises. We expect GZA's passenger throughput to go up by 16% YoY in 2021E, reaching ~69% of the 2019-level. 2022E figure would increase by 25% YoY, reaching 87% of the 2019-level.

Cargo throughput: 24%YoY growth in 2021E; 13%YoY growth in 2022E. Cargo throughput in GZA has not been significantly deflated by the pandemic, down only by 8%YoY in 2020 vs. the 40%YoY decline in passenger throughput. We expect its 2021E/22E cargo throughput to increase by 24%/13% YoY.

Adjusted net profit estimated at RMB 25mn in 2021E; RMB 797mn in 2022E. Benefiting from 16%/24%YoY growth in passenger throughput and cargo throughput, we expect GZA to report RMB 25mn in adjusted net profit for 2021E (2020: RMB 257mn net loss) despite total cost of sales would increase by 4%YoY. For 2022E, passenger /cargo throughput would rise by 25%/13%YoY; adjusted net profit would be RMB 797mn, equivalent to 76% of the 2019-level.

Downgrade to HOLD; TP at RMB 11.40. Guangzhou is still a major city in the Pearl River Delta; continuous population growth would no doubt be a long-term positive to GZA. Yet, we believe passenger throughput is unlikely to recover quickly in 2021 as vaccination rate of China and worldwide are still low. Downgrade to **HOLD** with TP at RMB 11.40 (previous at RMB 15.50), implying 1.28x 2021E P/B.

Results and Valuation

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Revenue (RMB mn)	8,239	5,225	5,946	7,737	9,519
Chg (% YoY)	6.3	-36.6	13.8	30.1	23.0
Adj. net profit [#] (RMB mn)	1,048	-257	25	797	1,210
Chg (% YoY)	-8.8	n.a.	n.a.	3,080.7	51.8
EPS (RMB)	0.508	-0.123	0.012	0.382	0.580
Chg (% YoY)	-9.3	n.a.	n.a.	3,080.7	51.8
BVPS (RMB)	8.227	9.236	9.043	9.368	9.774
Chg (% YoY)	8.2	12.3	-2.1	3.6	4.3
P/E (x)	22.83	n.a.	964.35	30.32	19.97
P/B (x)	1.41	1.25	1.28	1.24	1.19
ROAE (%)	6.59	-1.38	0.13	4.15	6.06
ROAA (%)	4.03	-0.95	0.10	2.99	4.17
DPS (RMB)	0.145	0.048	0.004	0.115	0.174
Dvd yield (%)	1.25	0.41	0.03	0.99	1.50
Net gearing* (%)	Net cash	Net cash	Net cash	Net cash	Net cash

* Net gearing=Net debt/Total equity;

[#]Adj. net profit = net profit excluded fair value change, impairment loss and non-operating income

Source(s): Bloomberg, ABCI Securities estimates

Company Report

June 7, 2021

Rating: HOLD

TP: RMB 11.40

Analyst : Kelvin Ng
Tel: (852) 2147 8869
kelvinn@abci.com.hk

Share price (RMB)	11.59
Est. share price return	(1.64%)
Est. dividend yield	0.03%
Est. total return	(1.61%)
Previous rating	BUY
Previous TP	15.50
Previous report date	27 Oct 2020

Source(s): ABCI Securities estimates

Key Data

52Wk H/L(RMB)	16.9/11.2
Issued shares (mn)	2,085
Market cap (RMB mn)	24,165
3-mth avg daily turnover (RMB mn)	294
Major shareholder(s) :	
GD Airport Mgmt Group.	51.1%

Source(s): Company, ABCI Securities

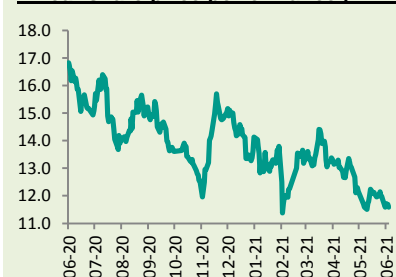
Share Performance (%)

	Absolute	Relative*
1-mth	(4.69)	(8.89)
3-mth	(13.38)	(15.94)
6-mth	(22.68)	(26.96)

*Relative to SHCOMP

Source(s): Bloomberg, ABCI Securities

1-Year share price performance (RMB)



Source(s): Bloomberg, ABCI Securities

2021/22E outlook

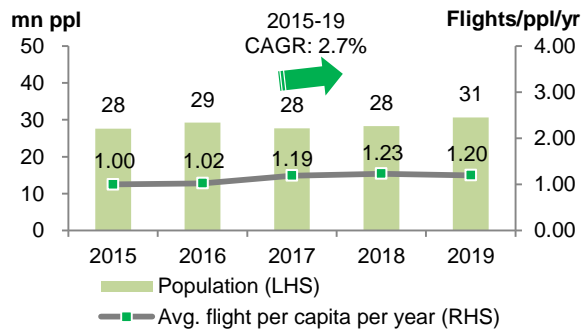
Rising population in the Pearl River Delta region will benefit GZA

Guangzhou is the center of the Pearl River Delta region. Cities in the Pearl River Delta region, benefiting from the “Reform and Opening” policy announced in 1978, grew rapidly. According to MOHURD, as of end-2019, total population (permanent and temporary residents) in the Guangzhou district (including Guangzhou, Foshan, Zhaoqing, Sihui, Qingyuan, and Yingde cities) reached 30.7mn, up 8.4% YoY, attributable to the strong temporary resident growth (+18%YoY) during the period (Guangzhou district’s 2015-19 population CAGR: 2.7%). Key population growth drivers were the Guangzhou city (2015-19 CAGR: 2.0%) and Foshan (2015-19: 5.3%), which accounted for 58% and 25% of total population in the Guangzhou district. We believe rising urban population in Pearl River Delta would benefit GZA in the long term as residents would seek for more vacation and business travelling as living standard improves.

Low average flight per capita per year – much room for growth for passenger throughput

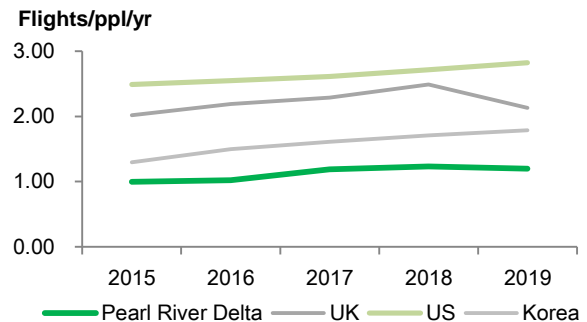
According to the World Bank and MOHURD, as of end-2019, the average flight per capita per year in the Guangzhou district was 1.20, lower than the ones in the Shanghai district and the capital district. We believe passenger throughput in GZA has much room to grow.

Exhibit 26: Population and average flight per capita per year ratio in the Pearl River Delta region



Source(s): MOHURD, ABCI Securities

Exhibit 27: Average flight per capita per year ratio comparison: Pearl River Delta region remains low compared to the advanced countries



Source(s): MOHURD, World Bank, ABCI Securities

Passenger throughput: 16%YoY growth in 2021E; 25%YoY growth in 2022E

Recovery of passenger throughput is gradually gaining traction. According to the company data, passenger throughput in Apr 2021 was 5.1mn, up 213%YoY, reaching 88% of the level in Apr 2019. 4M21 passenger throughput was 16mn, 57%YoY higher than 4M20, equivalent to 66% of the 4M19 level. We believe passenger throughput is going back on track due to the rise in domestic passengers; the trend is likely to sustain as vaccination rate in China rises. We expect GZA’s passenger throughput to increase by 16%YoY in 2021E, reaching 69% of the 2019-level. For 2022E, we expect the figure to grow by 25%YoY in 2022E, reaching 87% of the 2019-level.

Cargo throughput: 24%YoY growth in 2021E; 13%YoY growth in 2022E

Recovery of cargo throughput remains strong. According to the Company’s data, cargo throughput in Apr 2021 was 173kt, up 39%YoY, reaching 109% of the level in Apr 2019. 4M21 cargo throughput was 637kt, 33%YoY higher than 4M20, reaching 108% of the 4M19 level. Impact of COVID-19 on cargo throughput is manageable - GZA reported only an 8%YoY decline in 2020 vs. 40% YoY decline in passenger throughput. We expect cargo throughput to gain 24%/13%YoY in 2021E /22E.

Increased in cost in aviation business may drag earnings

GZA reported RMB 4.9bn in aviation business cost in 2020, accounting for 93% of total cost of sales. The figure was 17% higher than our previous estimate. Aviation business reported a 19.5% gross loss margin. Increased in aviation cost was mainly due to higher labor and materials costs arising from additional hygiene and virus-checking procedures. As COVID-19 is likely to linger in the next two years and suppress international travel, we believe GZA's aviation cost would remain high and drag earnings.

Adjusted net profit estimated: RMB 25mn in 2021E; RMB 797mn in 2022E

For 2021E, we assume 16%/24%YoY growth in passenger/cargo throughput and a 4%YoY rise in total cost of sales; therefore, we estimate adjusted net profit to be RMB 25mn (2020: RMB 257mn net loss). For 2022E, we expect passenger/cargo throughput to increase by 25%/13%YoY, driving up the adjusted net profit to RMB 797mn, equivalent to 76% of the 2019 level.

Downgrade to HOLD; TP at RMB 11.40

GZA's 1Q21 results were hampered by poor international passenger throughput figures. We therefore revise down our 2021E/22E/23E passenger throughput by 25%/14%/6% to factor in the worse-than-expected recovery. We also revise up unit aviation cost by 42%/24%/19% for 2021E/22E/23E to factor in higher-than-expected aviation cost in 2020. Our adjusted net profit therefore goes down by 98%/46%/26% for 2021E/22E/23E.

Guangzhou is still the central hub in the Pearl River Delta; continuous population growth in Pearl River Delta would be beneficial to GZA is the only airport in the district; the low average flight per capita per year of the residents suggests ample room for growth. In the short term, GZA's passenger throughput is unlikely to recover substantially in 2021 as vaccination rate in China and the world remains low. Short-term headwind would come from the resurgence of COVID-19 in China, which would drag passenger throughput. Downgrade to **HOLD**. Our TP at RMB 11.40 (previously at RMB 15.50) implies 1.28x 2021E P/B.

Exhibit 28: Changes in estimates

	Units	Old estimates		New estimates		Change		Main reasons
		2022E	2023E	2022E	2023E	2022E	2023E	
Adj. NP	RMBmn	1,478	1,657	797	1,210	-46.1%	-26.4%	Decreased passenger throughput to drag earnings
EPS	RMB	0.71	0.80	0.38	0.58	-46.1%	-26.5%	Decreased passenger throughput to drag earnings
Valuation	RMBmn	32,287		23,774		-26.4%		Decrease in 2022E/23E earnings reduces valuation
TP	RMB	15.50		11.40		-26.4%		Decrease in 2022E/23E earnings reduces valuation

Source(s): ABCI Securities estimates

1Q21 results highlight

Revenue dropped 10%YoY; adjusted net loss at RMB145m - worse than expected

GZA's 1Q21 revenue was RMB 1,185mn (-10%YoY), accounting for 16% of our previous 2021E revenue estimate, running behind its historical run rate of 24%. Adjusted net loss (excluded impairment loss and fair value change of assets) is worse than expected at RMB 145mn.

31%YoY growth in total cargo throughput in 1Q21 was bright spot

Total cargo throughput of GZA was 0.46mt in 1Q21, up 31% YoY, mainly driven by the 32% YoY growth in international throughput (contributed 68% of total cargo throughput). Total cargo throughput in 1Q21 reached 24% of our previous 2021E estimate, running ahead of its historical run rate of 22%.

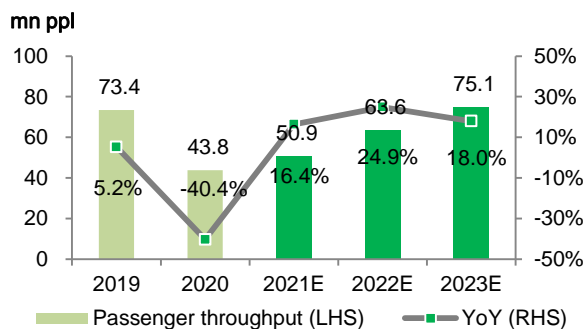
27%YoY growth in total passenger throughput in 2020 – a key drag

Total passenger throughput of GZA was 10.6 mn in 1Q21, 27% higher than that in 1Q20, mainly driven by the 65%YoY jump in domestic passenger throughput (contributed to 98% of total passenger throughput). International passenger throughput tumbled by 91%YoY during the period. Despite the substantial rise in domestic passenger throughput in 1Q21, total passenger throughput was equivalent to 16% of our previous full-year estimate, running behind its historical run rate of 24%.

Risk factors

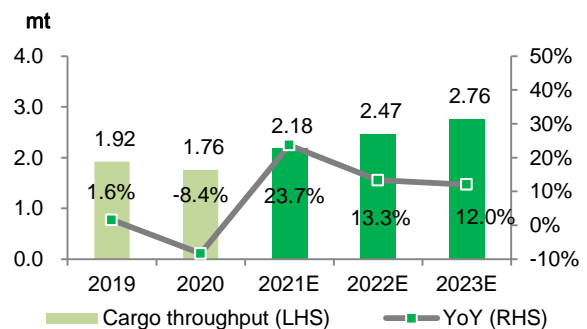
(1) Slow-than-expected population growth in Pearl River Delta region; (2) Decelerate in disposal income per capita in Pearl River Delta region; (3) Competition from Shenzhen airport. (4) Too concentrated in regional passengers.

Exhibit 29: GZA's passenger throughput outlook



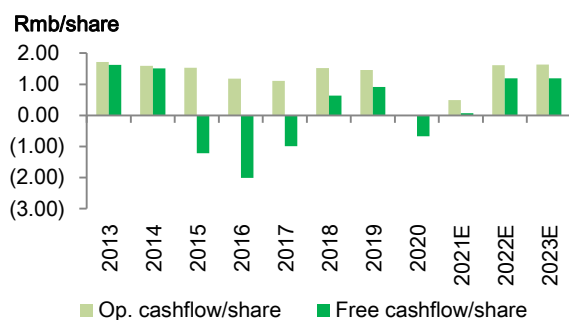
Source(s): Company, ABCI Securities estimates

Exhibit 30: GZA's cargo throughput outlook



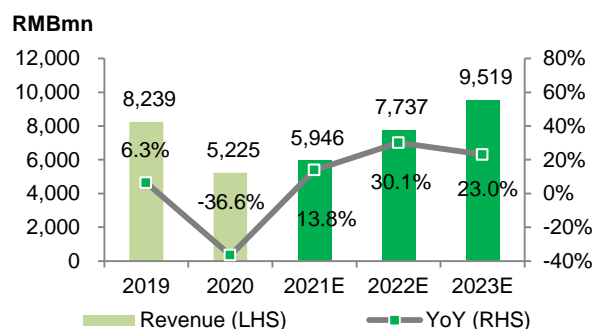
Source(s): Company, ABCI Securities estimates

Exhibit 31: GZA's cash flow outlook



Source(s): Company, ABCI Securities estimates

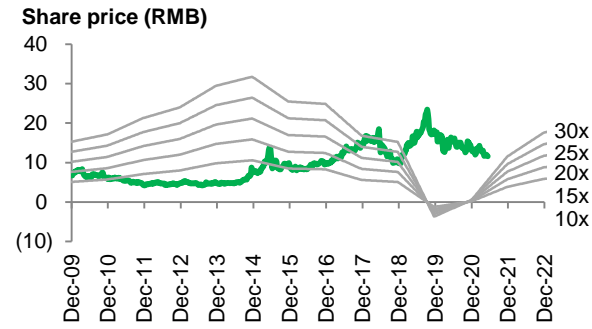
Exhibit 32: GZA's revenue outlook



Source(s): Company, ABCI Securities estimates

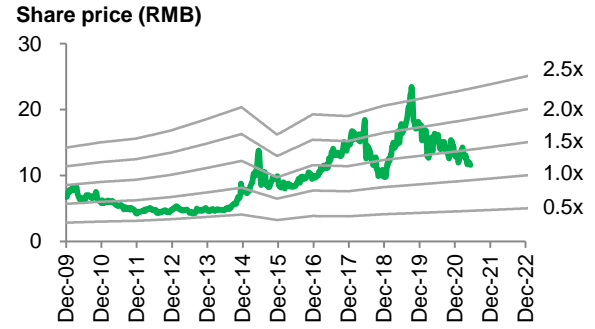


Exhibit 33: GZA's fwd P/E chart



Source(s): Company, ABCI Securities estimates

Exhibit 34: GZA's fwd P/B chart



Source(s): Company, ABCI Securities estimates

Consolidated income statement

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Revenue	8,239	5,225	5,946	7,737	9,519
Aviation	6,692	4,113	4,835	6,341	7,854
Non-aviation	1,432	959	931	1,169	1,395
Others	115	153	180	227	270
Cost of sales	(6,250)	(5,372)	(5,580)	(6,170)	(7,285)
Gross Profit	1,989	(148)	366	1,567	2,234
SG&A expenses	(627)	(433)	(428)	(557)	(685)
Net financial income (cost)	(55)	115	27	18	38
Other income/ (expenses)	121	317	70	91	112
Profit before tax	1,428	(148)	35	1,119	1,699
Tax	(298)	(84)	(9)	(280)	(425)
Profit after tax	1,131	(232)	26	839	1,274
Profit attributable to:					
Minority interest	57	18	1	42	64
Equity shareholders of the Co.	1,074	(250)	25	797	1,210
Adj. equity shareholders of the Co.	1,048	(257)	25	797	1,210
Basic EPS (RMB)	0.508	(0.123)	0.012	0.382	0.580
Adj. basic EPS (RMB)	0.520	(0.120)	0.012	0.382	0.580
DPS (RMB)	0.145	0.048	0.004	0.115	0.174

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Current assets	2,721	3,911	4,122	7,171	9,991
Cash	1,242	2,325	2,720	5,514	8,053
Trade and bill receivables	983	1,125	1,319	1,564	1,826
Other receivables and prepayments	195	60	17	17	19
Inventories	68	63	66	76	92
Other current assets	233	339	0	0	0
Non-current assets	23,470	22,387	21,433	20,685	20,246
Property, plant & equipment	21,985	20,844	19,429	18,013	16,597
Intangible assets	499	439	409	379	349
Investment in JV and associates	313	457	518	588	668
Deferred tax assets	359	296	296	296	296
Other non-current assets	314	351	781	1,409	2,336
Total Assets	26,191	26,298	25,555	27,856	30,237
Current Liabilities	7,515	6,218	5,251	6,571	7,810
Trade and bill payables	747	757	983	1,330	1,788
Other payables	6,768	5,441	4,193	5,099	5,823
Short term borrowings	0	20	76	141	199
Other current liabilities	0	0	0	0	0
Non-current liabilities	1,505	617	1,242	1,504	1,734
Deferred tax liabilities	29	24	0	0	0
Long-term borrowings	600	0	302	564	794
Other non-current liabilities	876	593	940	940	940
Total Liabilities	9,020	6,835	6,493	8,075	9,544
Minority interests	180	202	203	245	309
Shareholders' equities	16,991	19,261	18,858	19,536	20,384

Source(s): Company, ABCI Securities estimates

Consolidated cash flow statement

FY ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Profit before tax	1,074	(250)	25	797	1,210
Change in depreciation and amortization	1,589	1,650	1,633	1,643	1,653
Change in Working Capital	(2,229)	(1,708)	(491)	999	902
Income tax paid	(376)	(298)	(84)	(9)	(280)
Others	2,956	570	(57)	(56)	(86)
Operating cash flow	3,013	(35)	1,027	3,374	3,400
CAPEX	(1,120)	(1,361)	(888)	(897)	(907)
Increase in intangible assets	0	(154)	(2)	(2)	(2)
Others	13	361	0	0	0
Investing cash flow	(1,107)	(1,154)	(890)	(899)	(909)
Net Capital raise	0	0	0	0	0
Net debt financing	(2,570)	(580)	358	327	288
Dividend payout	(430)	(333)	(100)	(8)	(239)
Others	0	3,187	0	0	0
Financing cash flow	(3,000)	2,273	258	319	49
Net change in cash	(1,094)	1,085	395	2,794	2,539
Cash at the beginning	2,262	1,228	2,325	2,720	5,514
Adjustment (Time deposit & FX effect)	75	12	0	0	0
Cash at the end	1,242	2,325	2,720	5,514	8,053

Source(s): Company, ABCI Securities estimates

Key ratio

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Sales mixed (%)					
Aviation	81.23	78.72	81.31	81.96	82.50
Non-aviation	17.38	18.35	15.66	15.10	14.65
Others	1.39	2.93	3.03	2.93	2.84
Total	100	100	100	100	100
Profit & loss ratios (%)					
Gross margin	24.14	(2.83)	6.16	20.25	23.47
Operating profit margin	17.17	(6.53)	(0.36)	13.73	16.95
Pre-tax margin	17.34	(2.84)	0.59	14.46	17.84
Net profit margin	13.72	(4.44)	0.44	10.85	13.38
Selling & administrative expenses/revenue	7.61	8.28	7.20	7.20	7.20
Effective tax rate	20.83	(56.29)	25.00	25.00	25.00
Growth (%)					
Revenue	6.35	(36.58)	13.81	30.11	23.03
Gross profit	(8.60)	n.a.	n.a.	328.12	42.54
Operating profit	(16.50)	n.a.	n.a.	n.a.	51.80
Net profit	(2.69)	n.a.	n.a.	3,080.66	51.82
Balance sheet ratios					
Current ratio (x)	0.36	0.63	0.78	1.09	1.28
Quick ratio (x)	0.30	0.55	0.77	1.08	1.27
Cash ratio (x)	0.17	0.37	0.52	0.84	1.03
Trade and bill receivables days	47.55	72.58	75.00	68.00	65.00
Trade and bill payables turnover days	34.26	51.25	58.00	70.00	80.00
Inventory turnover days	3.72	4.37	4.20	4.20	4.20
Total debt / equity ratio (%)	3.49	0.10	1.98	3.56	4.80
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROAA	4.03	(0.95)	0.10	3.03	4.24
ROAE	6.59	(1.38)	0.13	4.23	6.20
Payout ratio	27.94	0.00	30.00	30.00	30.00

Source(s): Company, ABCI Securities estimates

Xiamen Int'l Airport (600897 CH)

Steady play with limited growth potential

- 1Q21 revenue soared 36%YoY, adjusted net profit was RMB 45mn – results are worse than expected.
- Passenger throughput: 21%/20%YoY growth in 2021E/22E.
- Cargo throughput: 22%YoY growth in 2021E and down 1%YoY in 2022E
- Adjusted net profit: 39%YoY growth in 2021E; 86%YoY jump in 2022E.
- Maintain **HOLD**. Our TP at RMB 16.50, which implies 1.25x 2021E P/B

1Q21 revenue soared 36%YoY; adjusted net profit was worse than expected at RMB 45mn. Xiamen Int'l Airport (XMA)'s 1Q21 revenue was RMB 321mn (+36%YoY), achieving 18% of our previous 2021 estimate, lower than its historical run rate of 24%. Adjusted net profit was RMB 45mn (1Q20: RMB 5mn net loss), achieving 9% of our previous estimate, lower than the historical average run rate of 25%. The results were worse than our estimates.

Passenger throughput to report a 21%/20%YoY growth in 2021E/22E. According to the Company, passenger throughput in Apr 2021 was 2.1mn people, up 208% YoY, reaching 89% of the level in Apr 2019. 4M21 passenger throughput was 6.0mn, 56%YoY higher than 4M20, reaching 63% of the 4M19 level. We believe domestic travels would help XMA to report a 21%YoY growth in passenger throughput in 2021E. For 2022E, we expect a 20%YoY growth in passenger throughput, equivalent to 86% of its 2019-level as recovery accelerates.

Cargo throughput to report a 22%YoY growth in 2021E; 1%YoY decline in 2022E. XMA's cargo throughput would increase by 22%YoY in 2021E, driven by the 90% YoY leap in international business. For 2022E, we believe cargo business is likely to slow down due to 1).Xiamen's living standard is not as high as that in the tier-1 regions; 2).population growth is mild. We expect XMA to report a 1%YoY decline in cargo throughput in 2022E following a robust growth in 2021E.

Adjusted net profit to increase by 39% YoY in 2021E; 86% YoY growth in 2022E. Assuming the 21%/22%YoY growth in passenger /cargo throughput in 2021E, adjusted net profit would go up by 39% YoY for the year. For 2022E, we forecast a 20%YoY growth in passenger throughput and a 1%YoY decline in cargo throughput, yet the lower unit aviation cost resulted from the higher passenger throughput would support earnings growth. We expect adjusted net profit growth to jump 86% YoY.

Maintain HOLD, TP at RMB 16.50. Maintain **HOLD** with TP at RMB 16.50 (previously at RMB 19.00). Our DCF-derived TP implies 1.25x 2021E P/B.

Results and Valuation

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Revenue (RMB mn)	1,785	1,225	1,419	1,630	1,823
Chg (% YoY)	0.5	-31.4	15.8	14.9	11.8
Adj. net profit [#] (RMB mn)	510	172	239	443	519
Chg (% YoY)	1.2	-66.2	38.6	85.4	17.1
EPS (RMB)	1.711	0.579	0.802	1.487	1.742
Chg (% YoY)	1.2	-66.2	38.6	85.4	17.1
BVPS (RMB)	12.545	12.590	13.152	14.192	15.412
Chg (% YoY)	3.8	0.4	4.5	7.9	8.6
P/E (x)	9.92	29.33	21.17	11.42	9.75
P/B (x)	1.35	1.35	1.29	1.20	1.10
ROAE (%)	14.13	4.58	6.23	10.88	11.77
ROAA (%)	11.29	3.69	5.15	9.45	10.18
DPS (RMB)	0.523	0.173	0.241	0.446	0.522
Dvd yield (%)	3.08	1.02	1.42	2.63	3.08
Net gearing* (%)	Net cash	Net cash	Net cash	Net cash	Net cash

* Net gearing=Net debt/Total equity;

[#]Adj. net profit = net profit excluded fair value change, impairment loss and non-operating income

Source(s): Bloomberg, ABCI Securities estimates

Company Report

June 7, 2021

Rating: **HOLD**

TP: **RMB 16.50**

Analyst : Kelvin Ng
 Tel: (852) 2147 8869
 kelvinn@abci.com.hk

Share price (RMB)	16.98
Est. share price return	(2.83%)
Est. dividend yield	1.42%
Est. total return	(1.41%)
Previous rating	HOLD
Previous TP	19.00
Previous report date	27 Oct 2020

Source(s): ABCI Securities estimates

Key Data

52Wk H/L(RMB)	19.5/15.8
Issued shares (mn)	298
Market cap (RMB mn)	5,060
3-mth avg daily turnover (RMB mn)	24
Major shareholder(s) :	
Xiamen SASAC.	68.0%

Source(s): Company, ABCI Securities

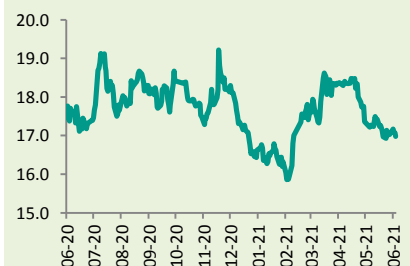
Share Performance (%)

	Absolute	Relative*
1-mth	(2.19)	(6.40)
3-mth	(4.07)	(6.63)
6-mth	(6.24)	(10.51)

*Relative to SHCOMP

Source(s): Bloomberg, ABCI Securities

1-Year share price performance (RMB)



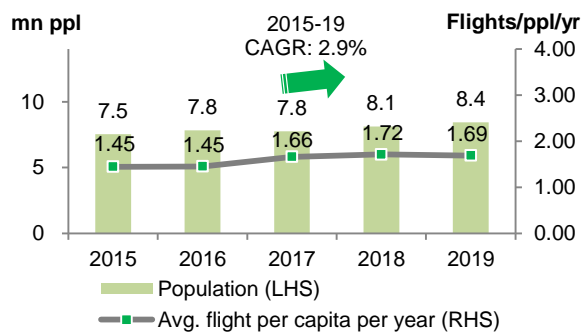
Source(s): Bloomberg, ABCI Securities

2021/22E outlook

Population growth in Xiamen district was mild at 2.9% CAGR in 2015-19

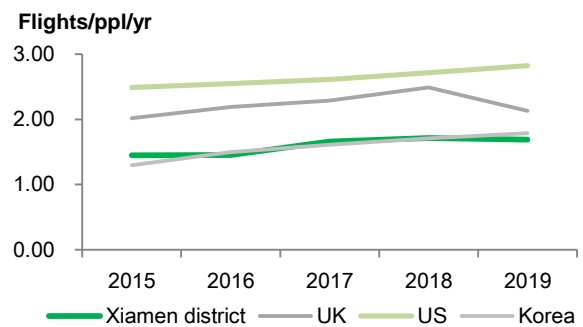
According to MOHURD, total population (permanent and temporary residents) in the Xiamen district (Xiamen, Zhangzhou, Longyan, and Longhai), was 8.4mn in 2019, up 4%YoY or 2.9% CAGR in 2015-19, mainly driven by the 4.2% population CAGR in the Xiamen city during the period. We believe the mild growth indicates the district is able to attract people from inland provinces. Average flight per capita per year was 1.69 by end-2019, slightly lower than Korea's 1.79. This indicates frequent air travelling of residents in the district, which in turn can be attributed to the region's close connection with Taiwan.

Exhibit 35: Population and average flight per capita per year ratio in the Xiamen district



Source(s): MOHURD, ABCI Securities

Exhibit 36: Average flight per capita per year ratio comparison: Xiamen district levels with South Korea



Source(s): MOHURD, World Bank, ABCI Securities

Passenger throughput to gain 21%/20%YoY in 2021E/22E

According to the Company, passenger throughput in Apr 2021 was 2.1mn people, up 208% YoY, reaching 89% of the level in Apr 2019. 4M21 passenger throughput was 6.0mn people, 56%YoY higher than 4M20, reaching 63% of the 4M19 level. We believe domestic travels would boost passenger throughput by 21%YoY in 2021E. For 2022E, as we expect the recovery to continue, XMA is likely to report a 20%YoY growth in passenger throughput, equivalent to 86% of the 2019-level.

Cargo throughput is likely to report 22%YoY growth in 2021E; but 1%YoY decline in 2021E

According to the Company, cargo throughput in Apr 2021 was 33kt, up 36%YoY, reaching 104% of the level in Apr 2019. 4M21 cargo throughput was 119kt, 26%YoY higher than 4M20, reaching 101% of the 4M19 level. International cargo throughput will be the key driver in 2021E (4M21: up 116%YoY). We expect cargo throughput growth to grow by 22%YoY in 2021E, driven by the 90%YoY jump in international cargo throughput business. For 2022E, we believe cargo business is likely to slow down due to 1).Xiamen, unlike other tier-1 cities, have a lower living standard. Therefore, the high demand growth for foreign goods is unlikely to sustain; 2).population growth in the Xiamen district is mild, capping growth in cargo throughput. We expect XMA to report a 1%YoY decline in cargo throughput in 2022E following the robust growth in 2021E.

Adjusted net profit to report 39%YoY growth in 2021E; 86%YoY growth in 2022E

Assuming a 21%/22%YoY growth in passenger /cargo throughput in 2021E, adjusted net profit would go up by 39% YoY during the period. For 2022E, we forecast a 20% YoY growth in passenger throughput and a 1%YoY decline in cargo throughput, yet the lower unit aviation cost resulted from the higher passenger throughput would support earnings growth. We expect adjusted net profit growth to jump 86% YoY.

Maintain HOLD, TP at RMB 16.50

1Q21 results were worse than expected. We revise down passenger throughput assumptions for 2021E/22E/23E by 29%/21%/12%. We also adjust down GPM by 14.3ppt/3.2ppt/0.3ppt to factor in the higher aviation cost. Consequently, our adjusted net profit forecasts were down by 51%/21%/7% compared to the previous ones. .

The Xiamen district does not include any fast-growing cities; as such, we believe future growth, while steady, would be limited unless new policy initiatives, such as specific industry development in the area, will be needed to stimulate passenger throughput. Nonetheless, XMA is a defensive play, as evidenced by its positive free cash flow and earnings in 2020 amid the pandemic.

Maintain **HOLD** with TP at RMB 16.50 (previously at RMB 19.00). Our DCF-derived TP implies 1.25x 2021E P/B.

Exhibit 37: Changes in estimates

	Units	Old estimates		New estimates		Change		Main reasons
		2022E	2023E	2022E	2023E	2022E	2023E	
Adj. NP	RMBmn	560	558	443	519	-20.9%	-7.0%	Decreased passenger throughput to drag earnings
EPS	RMB	1.88	1.87	1.49	1.74	-20.9%	-7.0%	Decreased passenger throughput to drag earnings
Valuation	RMBmn	5,657		4,914		-13.1%		Decrease in 2022E/23E earnings reduces valuation
TP	RMB	19.00		16.50		-13.1%		Decrease in 2022E/23E earnings reduces valuation

Source(s): ABCI Securities estimates

1Q21 results highlight

Revenue was up 36%YoY; adjusted net profit was RMB 45mn

XMA's 1Q21 revenue was RMB 321mn (+36%YoY), achieving 18% of our previous 2021 estimate but lower than the historical run rate of 24%. Adjusted net profit was RMB 45mn (1Q20: RMB 5mn net loss), achieving 9% of our previous full-year estimate, lower than its historical average run rate of 25%. The results were worse than expected.

23%YoY growth in total passenger throughput driven by domestic passenger throughput

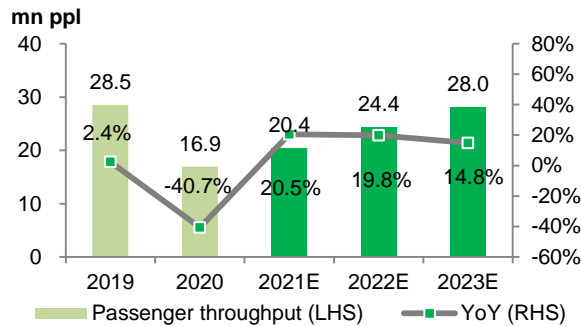
1Q21 total passenger throughput was 3.9mn (+23%YoY), achieving 13% of our previous 2021 estimate, lower than its historical average run rate of 25%. Domestic passenger throughput was 3.8mn (+39%YoY, accounting for 98% of total passenger throughput). International passenger throughput was down 86%YoY.

23%YoY growth in total cargo throughput driven by 125%YoY growth in international cargo throughput

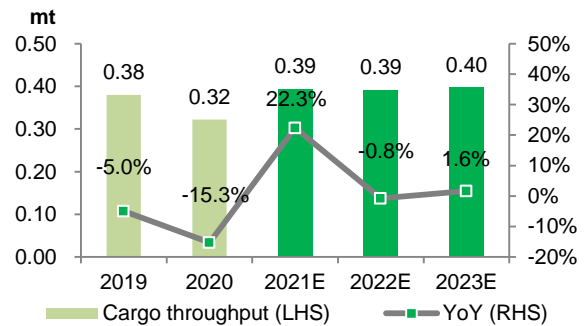
Total cargo throughput was 0.09mt (+23%YoY), achieving 23% of our previous 2021 estimate, in-line with its historical average run rate of 23%. International cargo throughput was 0.03mt (+125%YoY, accounting for 35% of total cargo throughput) during the period.

Risk factors

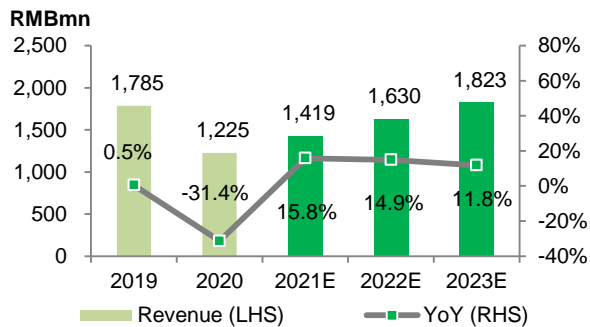
- (1) Increase in tension between China and Chinese Taipei would hit business of XMA; (2) Slower-than-expected population growth in Xiamen district; (3) Competition from Quanzhou airport; (4) Too concentrated in local passengers. .

Exhibit 38: XMA's passenger throughput outlook


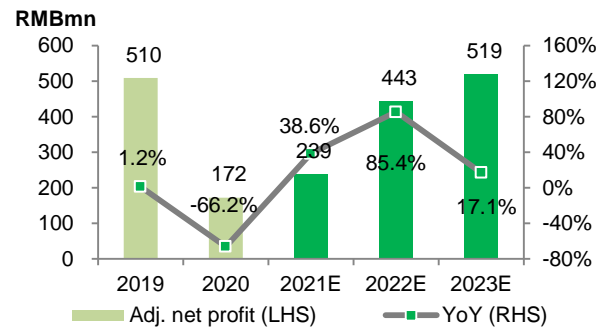
Source(s): Company, ABCI Securities estimates

Exhibit 39: XMA's cargo throughput outlook


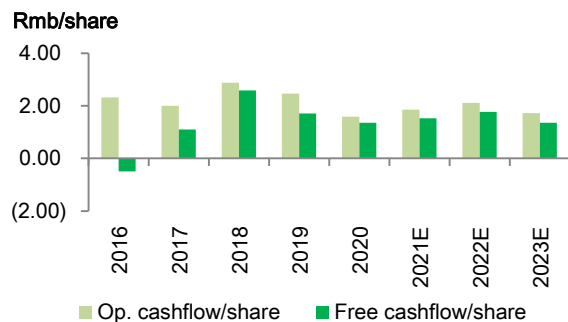
Source(s): Company, ABCI Securities estimates

Exhibit 40: XMA's revenue outlook


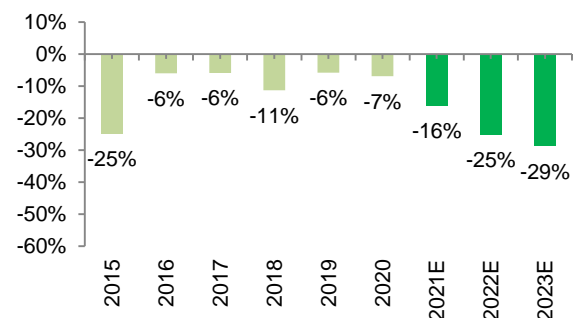
Source(s): Company, ABCI Securities estimates

Exhibit 41: XMA's adjusted net profit outlook


Source(s): Company, ABCI Securities estimates

Exhibit 42: XMA's cash flow outlook


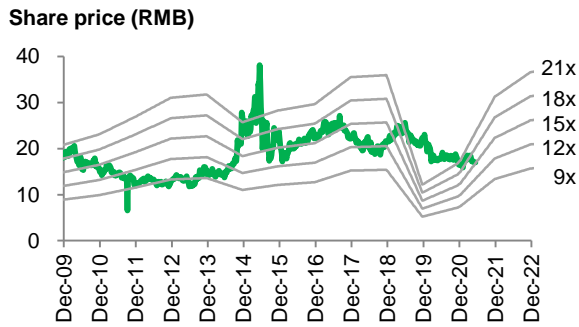
Source(s): Company, ABCI Securities estimates

Exhibit 43: XMA's net gearing ratio outlook


Source(s): Company, ABCI Securities estimates

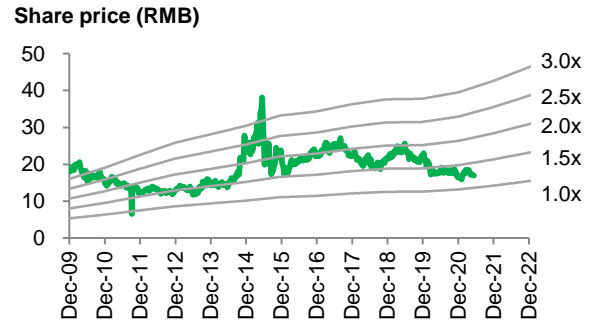


Exhibit 44: XMA's fwd P/E chart



Source(s): Bloomberg, ABCI Securities estimates

Exhibit 45: XMA's fwd P/B chart



Source(s): Bloomberg, ABCI Securities estimates

Consolidated income statement

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Revenue	1,785	1,225	1,419	1,630	1,823
Aviation	1,158	744	879	1,042	1,185
Non-aviation	546	414	467	507	550
Others	81	67	73	81	88
Cost of sales	(1,066)	(982)	(1,103)	(1,033)	(1,124)
Gross Profit	719	243	316	597	699
SG&A expenses	(52)	(49)	(43)	(49)	(55)
Net financial income (cost)	1	1	1	3	5
Other income/ (expenses)	47	57	61	70	78
Profit before tax	716	253	335	622	728
Tax	(179)	(65)	(84)	(155)	(182)
Profit after tax	537	188	251	466	546
Profit attributable to:					
Minority interest	19	16	13	23	27
Equity shareholders of the Co.	518	171	239	443	519
Adj. equity shareholders of the Co.	510	172	239	443	519
Basic EPS (RMB)	1.741	0.576	0.802	1.487	1.742
Adj. basic EPS (RMB)	1.711	0.579	0.802	1.487	1.742
DPS (RMB)	0.523	0.173	0.241	0.446	0.522

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Current assets	1,432	1,534	1,374	1,710	2,152
Cash	230	284	684	1,141	1,414
Trade and bill receivables	239	249	684	567	731
Other receivables and prepayments	9	11	3	1	4
Inventories	1	0	3	0	3
Other current assets	954	990	0	0	0
Non-current assets	3,124	3,201	3,169	3,124	3,200
Property, plant & equipment	2,735	2,634	2,541	2,450	2,365
Intangible assets	131	126	121	117	112
Investment in JV and associates	0	0	0	0	0
Deferred tax assets	9	7	7	7	7
Other non-current assets	249	433	500	550	716
Total Assets	4,556	4,735	4,543	4,834	5,352
Current Liabilities	581	735	375	332	460
Trade and bill payables	219	240	214	211	282
Other payables	363	485	153	113	170
Short term borrowings	0	9	9	9	9
Other current liabilities	0	2	0	0	0
Non-current liabilities	17	12	0	0	0
Deferred tax liabilities	0	1	0	0	0
Long-term borrowings	0	0	0	0	0
Other non-current liabilities	17	10	0	0	0
Total Liabilities	598	747	375	332	460
Minority interests	223	239	251	275	302
Shareholders' equities	3,736	3,750	3,917	4,227	4,590

Source(s): Company, ABCI Securities estimates

Consolidated cash flow statement

FY ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Profit before tax	518	171	239	443	519
Change in depreciation and amortization	190	187	194	198	203
Change in Working Capital	(527)	90	191	79	(42)
Income tax paid	(177)	(179)	(65)	(84)	(155)
Others	729	203	(5)	(8)	(11)
Operating cash flow	733	473	554	628	513
CAPEX	(224)	(71)	(100)	(100)	(110)
Increase in intangible assets	(1,910)	(2,690)	(2)	(2)	(3)
Others	1,624	2,488	1	3	6
Investing cash flow	(510)	(273)	(101)	(99)	(107)
Net Capital raise	0	0	0	0	0
Net debt financing	(5)	8	0	0	0
Dividend payout	(415)	(156)	(52)	(72)	(133)
Others	0	0	(0)	(0)	(0)
Financing cash flow	(420)	(147)	(52)	(72)	(133)
Net change in cash	(198)	53	401	457	273
Cash at the beginning	428	230	284	684	1,141
Adjustment (Time deposit & FX effect)	0	(0)	0	0	0
Cash at the end	230	284	684	1,141	1,414

Source(s): Company, ABCI Securities estimates

Key ratio

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Sales mixed (%)					
Aviation	64.84	60.73	61.92	63.94	65.03
Non-aviation	30.60	33.77	32.93	31.11	30.15
Others	4.56	5.50	5.15	4.94	4.82
Total	100	100	100	100	100
Profit & loss ratios (%)					
Gross margin	40.29	19.84	22.25	36.64	38.35
Operating profit margin	39.21	20.31	23.25	37.64	39.35
Pre-tax margin	40.09	20.61	23.63	38.13	39.94
Net profit margin	30.09	15.32	17.72	28.60	29.96
Selling & administrative expenses/revenue	2.91	3.97	3.00	3.00	3.00
Effective tax rate	24.96	25.69	25.00	25.00	25.00
Growth (%)					
Revenue	0.46	(31.37)	15.83	14.87	11.80
Gross profit	0.60	(66.20)	29.89	89.15	17.02
Operating profit	0.75	(64.46)	32.60	85.96	16.88
Net profit	1.97	(65.06)	34.00	85.38	17.13
Balance sheet ratios					
Current ratio (x)	2.47	2.09	3.66	5.14	4.68
Quick ratio (x)	0.81	0.73	3.65	5.14	4.66
Cash ratio (x)	0.40	0.39	1.82	3.43	3.07
Trade and bill receivables days	50.07	72.72	120.00	140.00	130.00
Trade and bill payables turnover days	105.35	85.14	75.00	75.00	80.00
Inventory turnover days	0.18	0.22	0.50	0.50	0.50
Total debt / equity ratio (%)	0.00	0.21	0.20	0.19	0.17
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROAA	11.29	3.69	5.15	9.45	10.18
ROAE	14.13	4.58	6.23	10.88	11.77
Payout ratio	30.05	30.06	30.00	30.00	30.00

Source(s): Company, ABCI Securities estimates

Beijing Capital Int'l Airport (694 HK)

Slow population growth and rising competition pose challenges

- Slow population growth in the Capital district is a concern
- Daxing Airport would divert passengers and cargoes
- Passenger throughput: 54%YoY growth in 2021E; 20%YoY growth in 2022E
- Adjusted net loss: RMB 507mn in 2021E; RMB 978mn gain in 2022E
- Downgrade to **SELL**; TP at HK\$ 4.40 implies 0.79x 2021E P/B

Slow population growth in the capital district (Beijing, Baoding, Langfang, and Zhuozhou) is a concern. Population in Beijing has been expanding only slowly in the past four years. According to MOHURD, population CAGR (include permanent and temporary residents) in Beijing was -0.2% in 2015-19. In 2018 and 2019, population in the city was down 6.6% YoY and 0.03% YoY. The population CAGR in Baoding and Zhuozhou was 0.9% and -0.1% in 2015-19. Langfang, however, had a positive population CAGR of 1.4% during the period. We believe slow population growth in the Capital district would limit growth in Beijing Capital Int'l Airport (BCA).

Daxing Airport would divert passengers and cargoes. Beijing Daxing International Airport (Daxing Airport), which commenced operation in 2019, diverts passenger and cargo throughput from BCA. The airport would attract passengers in south Beijing, Baoding, and Langfang. In addition, population growth in the Xiongan new area would benefit the Daxing Airport more as it is only ~60km from the area (BCA is ~125km).

Passenger throughput: 54%YoY growth in 2021E; 20%YoY growth in 2022E. After a significant 66%YoY decline in 2020, we believe BCA would rebound by 54%YoY in total passenger throughput in 2021E on the back of 65%YoY growth in domestic passengers. For 2022E, we expect BCA would record another 20%YoY growth in total passenger throughput (20%/30%YoY growth in domestic/ foreign passenger throughput) aided by economic recovery and the Beijing Winter Olympics.

Adjusted net loss: RMB 507mn in 2021E; RMB 978mn gain in 2022E. We expect BCA's adjusted net loss (excluded impairment loss and fair value change of assets) to be RMB 507mn in 2021E as diversion to Daxing Airport, in addition to the low global vaccination rate reducing BCA's foreign passenger throughput. For 2022E, with the Beijing 2022 Winter Olympics taking place and the receding impacts of COVID-19, BCA's adjusted net profit would wing back to RMB 978mn.

TP at HK\$4.40; downgrade to SELL. We believe BCA would continue to suffer from the slow growth in the Capital district; meanwhile, competition with Daxing airport will increase. We set our TP at HK\$4.40, which implies 0.79x 2021E P/B.

Results and Valuation

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Revenue (RMB mn)	10,810	3,587	5,079	7,807	10,088
Chg (% YoY)	-4.0	-66.8	41.6	53.7	29.2
Adj. net profit [#] (RMB mn)	2,517	-1,664	-507	978	2,184
Chg (% YoY)	-12.4	n.a.	n.a.	n.a.	123.3
EPS (RMB)	0.572	-0.360	-0.110	0.212	0.472
Chg (% YoY)	-13.3	n.a.	n.a.	n.a.	123.3
BVPS (RMB)	5.674	4.809	4.568	4.695	5.033
Chg (% YoY)	5.5	-15.2	-5.0	2.8	7.2
P/E (x)	7.89	n.a.	n.a.	21.36	9.56
P/B (x)	0.80	0.94	0.99	0.96	0.90
ROAE (%)	10.00	-8.62	-2.34	4.57	9.71
ROAA (%)	6.97	-5.80	-1.45	2.85	6.22
DPS (RMB)	0.248	0.000	0.000	0.212	0.472
Dvd yield (%)	5.48	0.00	0.00	4.68	10.46
Net gearing* (%)	2.5	15.3	16.5	8.2	Net cash

* Net gearing=Net debt/Total equity;

[#] Adj. net profit = net profit excluded fair value change, impairment loss and non-operating income

Source(s): Bloomberg, ABCI Securities estimates

Company Report

June 7, 2021

Rating: **SELL**
 TP: **HK\$ 4.40**

Analyst : Kelvin Ng
 Tel: (852) 2147 8869
 kelvinn@abci.com.hk

Share price (HK\$)	5.47
Est. share price return	(19.56%)
Est. dividend yield	0.00%
Est. total return	(19.56%)
Previous rating	HOLD
Previous TP	5.10
Previous report date	27 Oct 2020

Source(s): ABCI Securities estimates

Key Data

52Wk H/L(HK\$)	7.0/4.4
Issued shares (mn)	4,624
Issued H-shares (mn)	1,879
Market cap (HK\$ mn)	25,293
H-share Mkt cap (HK\$ mn)	10,278
3-mth avg daily turnover (HK\$ mn)	79
Major shareholder(s) (%):	
Civil Aviation Admin. of China	59.0%

Source(s): Company, ABCI Securities

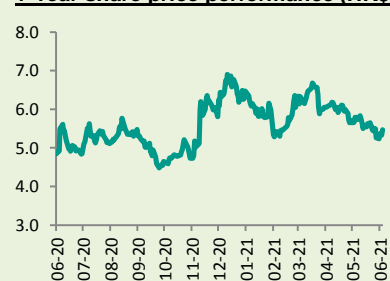
Share Performance (%)

	Absolute	Relative*
1-mth	(4.70)	(5.49)
3-mth	(12.06)	(7.75)
6-mth	(13.45)	(15.15)

*Relative to HSCEI

Source(s): Bloomberg, ABCI Securities

1-Year share price performance (HK\$)



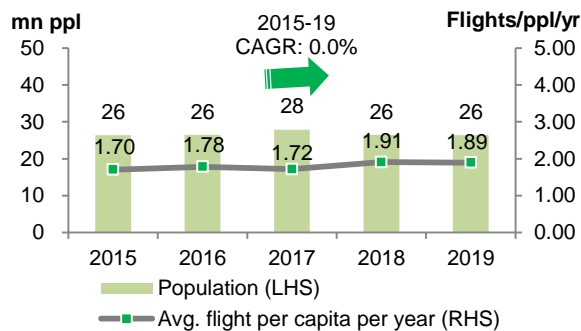
Source(s): Bloomberg, ABCI Securities

2021/22E outlook

Slow population growth in the Capital district means higher individual expenditure is the key to BCA's revenue growth

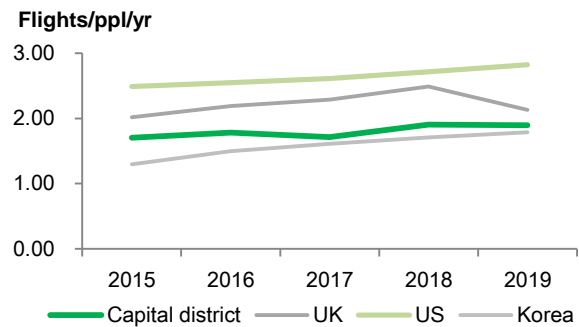
According to MOHURD, total population (permanent and temporary residents) in the Capital district (Beijing, Baoding, Langfang, and Zhuozhou; Tianjin, which has its own airport, is not included) was ~26.42mn in 2019, down 0.3%YoY; population growth (as measured in 2015-19 CAGR) was flat; specifically, Beijing reported a -0.2% CAGR during the period. Slow population growth in the district means BCA's earnings growth would rely on the increase in individual expenditure.

Exhibit 46: Population and average flight per capita per year ratio in the Capital district



Source(s): MOHURD, ABCI Securities

Exhibit 47: Average flight per capita per year ratio comparison: Capital district is higher than Korea



Source(s): MOHURD, World Bank, ABCI Securities

Concern 1: diversion to Daxing airport

Beijing Daxing International Airport (Daxing Airport), which commenced in Sep 2019, is diverting passenger and cargo throughput away from BCA. Daxing Airport has four runways with a total designed passenger throughput capacity of over 72mn and cargo throughput capacity of over 2mn tonnes. The larger airport would divert passengers from south Beijing, Baoding, and Langfang away from BCA. In addition, future population growth in the Xiongan new area would benefit the new airport more than BCA due to the former's close proximity (~60km from the Xiongan new area; BCA at ~125km),.

Concern 2: modest population growth in the Capital district

Beijing has been experiencing a slow population growth in the past years. According to MOHURD, population (permanent and temporary residents) in Beijing was 21.71mn in 2015; the figure was 21.54mn by end-2019, suggesting a -0.2% CAGR during the period. In 2018 and 2019, population in the city was down 6.6%YoY and 0.03%YoY. Population CAGRs in Baoding and Zhuozhou were 0.9% and -0.1% in 2015-19. Langfang was the only city in the Capital district with a positive growth of 1.4% CAGR. We believe slow population growth in the Capital district would cap growth in BCA.

Mild impact of 2022 Winter Olympics on BCA's throughput

Low vaccination rate worldwide and the emergence of virus variants cast high uncertainty on the number of travelers to Beijing for the 2022 Winter Olympics. In addition, air traveler growth in the 2008 Summer Beijing Olympics was only at 4.4% YoY, according to BCA's data, of which domestic/foreign passengers reported a 4.1%/5.3% YoY increase. In summary, we believe positive impacts of the Winter Olympics would be mild.

Passenger throughput: 54%YoY growth in 2021E; 20%YoY growth in 2022E

After a significant drop of 66%YoY in 2020, BCA's passenger throughput would rebound by 54%YoY for 2021E based on our estimates. The number of domestic passengers would jump 65%YoY growth. For 2022E, we expect BCA to record another 20%YoY growth in total passenger throughput with the economic recovery and Winter Olympics-related traffic. We expect domestic/foreign passenger throughput to increase by 20%/30%YoY.

Cargo throughput: 44%YoY growth in 2021E; 8%YoY growth in 2022E

BCA's cargo throughput is likely to jump 44%YoY growth in 2021E following a significant 38%YoY decline in 2020; growth in domestic/foreign cargo would be 30%/60% YoY. For 2022E, we believe the growth in cargo throughput would moderate to 8%YoY.

Adjusted net loss: RMB 507mn in 2021E; RMB 978mn gain in 2022E

We expect adjusted net profit (excluded impairment loss and fair value change of assets) to report a net loss of RMB 507mn in 2021E as diversion to Daxing Airport and the low global vaccination rate would suppress foreign passenger throughput. For 2022E, adjusted net profit would be RMB 978mn, thanks to the positive impact of Beijing 2022 Winter Olympics and fading pandemic influences.

Downgrade to SELL; TP at HK\$ 4.40

Low global vaccination rate, flat or decelerating population growth in Beijing, and increased competition with Daxing airport would be detrimental to BCA's earnings. We revise down BCA's passenger throughput by 47%/39%/33% for 2021E/22E/23E, but revise up retail income per passenger by 20%/54% in 2022E/23E to reflect the recovery in retail business. BCA's 2021E adjusted net loss would be RMB 507mn; we revise down 2022E/23E net profit by 54%/5%.

We believe BCA would continue to suffer from slow population growth in the Capital district and increasing competition from Daxing airport. Positive impact of growing population in the Xiongan new area would be limited for BCA since Daxing airport is closer to the emerging area. Downgrade to **SELL**. Our DCF-derived TP at HK\$4.40 (previous at HK\$5.10) implies 0.79x 2021E P/B.

Exhibit 48: Changes in estimates

	Units	Old estimates		New estimates		Change		Main reasons
		2022E	2023E	2022E	2023E	2022E	2023E	
Adj. NP	RMBmn	2,133	2,293	978	2,184	-54.1%	-4.7%	Decrease passenger throughput to lower earnings growth
EPS	RMB	0.47	0.50	0.21	0.47	-54.6%	-5.7%	Decrease passenger throughput to lower earnings growth
Valuation	RMBmn	20,468		16,803		-17.9%		Decrease in 2022E/23E earnings reduces valuation
TP	RMB	5.10		4.40		-13.7%		Decrease in 2022E/23E earnings reduces valuation

Source(s): ABCI Securities estimates

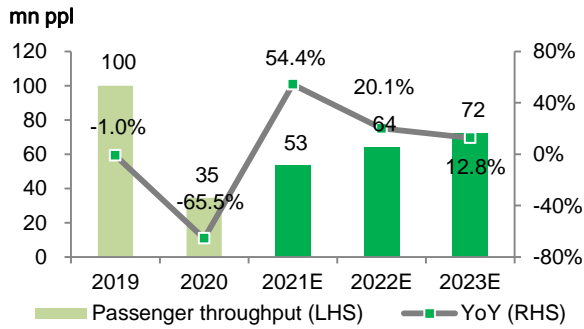
1Q21 results highlight

Revenue dropped 51%YoY, adjusted net profit reported RMB 472mn deficit, worse than expected

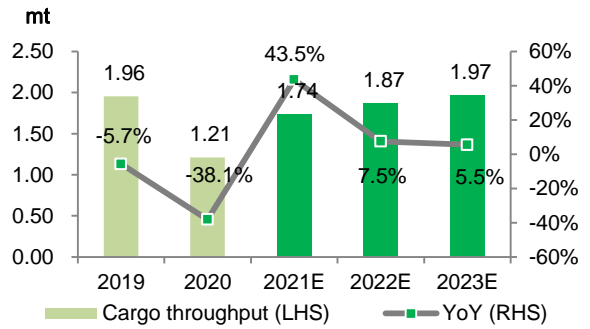
BCA reported 1Q21 results in April, revenue reported RMB 778mn (-51%YoY), achieving 8% of our previous 2021 full-year estimate, lower than the historical run rate of 24%. Adjusted net loss was RMB 472mn (1Q20: RMB 27mn net loss), which is worse than expected.

Risk factors

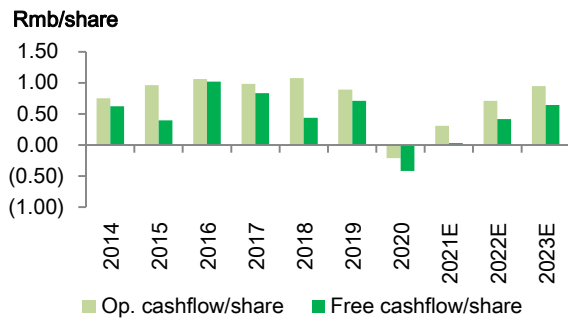
(1) Diversion of Daxing Airport; (2) Slower-than-expected population growth in capital district; (3) Weaker economic activities in nearby cities may restraint the growth of BCA; (4) Increasing competition from Tianjin airport.

Exhibit 49: BCA's passenger throughput outlook


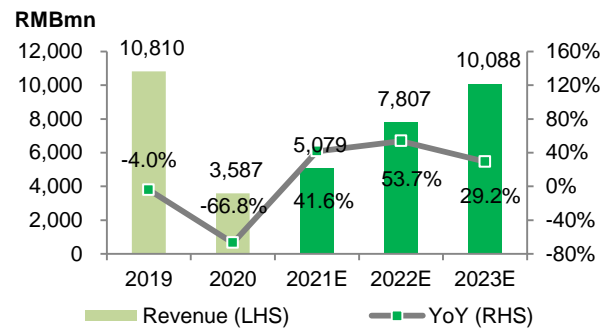
Source(s): Company, ABCI Securities estimates

Exhibit 50: BCA's cargo throughput outlook


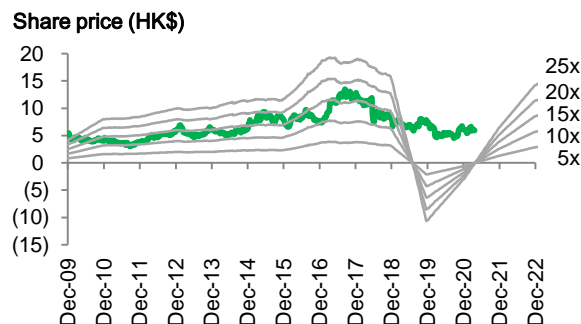
Source(s): Company, ABCI Securities estimates

Exhibit 51: BCA's cash flow outlook


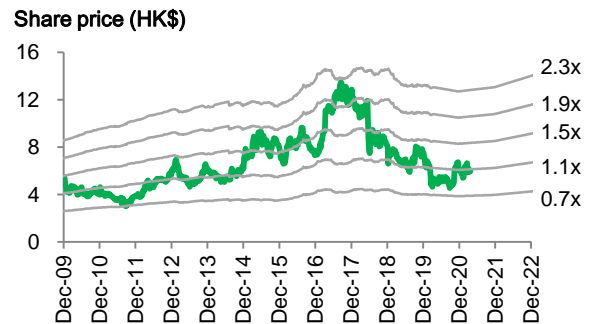
Source(s): Company, ABCI Securities estimates

Exhibit 52: BCA's revenue outlook


Source(s): Company, ABCI Securities estimates

Exhibit 53: BCA's fwd P/E chart


Source(s): Bloomberg, ABCI Securities estimates

Exhibit 54: BCA's fwd P/B chart


Source(s): Bloomberg, ABCI Securities estimates

Consolidated income statement

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Revenue	10,810	3,587	5,079	7,807	10,088
Aviation	4,089	1,296	2,173	2,896	3,451
Non-aviation	6,698	2,273	2,888	4,892	6,618
Others	23	18	18	19	19
Cost of sales	(6,230)	(5,072)	(4,977)	(5,539)	(6,048)
Gross Profit	4,581	(1,485)	102	2,267	4,040
SG&A expenses	(703)	(539)	(406)	(492)	(636)
Net financial income (cost)	(170)	15	(193)	(198)	(139)
Other income/ (expenses)	(478)	(702)	(178)	(273)	(353)
Profit before tax	3,229	(2,710)	(676)	1,304	2,912
Tax	(810)	675	169	(326)	(728)
Profit after tax	2,419	(2,035)	(507)	978	2,184
Profit attributable to:					
Minority interest	0	0	0	0	0
Equity shareholders of the Co.	2,419	(2,035)	(507)	978	2,184
Adj. equity shareholders of the Co.	2,517	(1,664)	(507)	978	2,184
Basic EPS (RMB)	0.550	(0.440)	(0.110)	0.212	0.472
Adj. basic EPS (RMB)	0.572	(0.360)	(0.110)	0.212	0.472
DPS (RMB)	0.248	0.000	0.000	0.212	0.472

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Current assets	3,383	3,695	3,492	4,026	6,104
Cash	1,665	2,297	2,346	2,704	4,463
Trade and bill receivables	1,389	872	937	1,116	1,372
Other receivables and prepayments	26	25	48	64	80
Inventories	157	166	161	143	189
Other current assets	146	336	0	0	0
Non-current assets	31,361	31,727	30,865	30,243	29,812
Property, plant & equipment	26,645	28,241	25,070	24,915	24,785
Intangible assets	4,349	2,451	2,341	2,230	2,117
Investment in JV and associates	0	0	0	0	0
Deferred tax assets	195	863	200	200	200
Other non-current assets	173	173	3,254	2,898	2,711
Total Assets	34,744	35,423	34,357	34,269	35,916
Current Liabilities	7,050	9,597	9,010	9,277	9,807
Trade and bill payables	6,104	6,384	7,253	7,924	8,646
Other payables	75	0	0	0	0
Short term borrowings	670	3,028	1,749	1,345	1,153
Other current liabilities	200	185	8	8	8
Non-current liabilities	2,733	3,588	4,225	3,283	2,835
Deferred tax liabilities	0	0	0	0	0
Long-term borrowings	1,617	2,666	4,081	3,139	2,691
Other non-current liabilities	1,116	922	144	144	144
Total Liabilities	9,784	13,185	13,235	12,560	12,642
Minority interests	0	0	0	0	0
Shareholders' equities	24,961	22,238	21,122	21,709	23,274

Source(s): Company, ABCI Securities estimates

Consolidated cash flow statement

FY ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Profit before tax	2,419	(2,035)	(507)	978	2,184
Change in depreciation and amortization	1,405	1,483	1,577	1,620	1,665
Change in Working Capital	(157)	255	167	495	404
Income tax paid	(839)	(114)	169	(326)	(728)
Others	1,084	(576)	24	524	867
Operating cash flow	3,911	(987)	1,430	3,291	4,392
CAPEX	(760)	(903)	(1,228)	(1,289)	(1,353)
Increase in intangible assets	(24)	(49)	(51)	(54)	(57)
Others	518	42	(10)	(11)	(11)
Investing cash flow	(266)	(910)	(1,289)	(1,354)	(1,422)
Net Capital raise	0	(2)	0	0	0
Net debt financing	(2,445)	3,499	136	(1,346)	(640)
Dividend payout	(1,090)	(702)	0	0	(391)
Others	(244)	(270)	(228)	(233)	(179)
Financing cash flow	(3,779)	2,526	(92)	(1,579)	(1,211)
Net change in cash	(133)	629	49	358	1,760
Cash at the beginning	1,806	1,665	2,297	2,346	2,704
Adjustment (Time deposit & FX effect)	(8)	3	0	0	0
Cash at the end	1,665	2,297	2,346	2,704	4,463

Source(s): Company, ABCI Securities estimates

Key ratio

FY ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Sales mixed (%)					
Aviation	37.82	36.13	42.77	37.09	34.21
Non-aviation	61.96	63.36	56.86	62.67	65.61
Other	0.22	0.51	0.36	0.24	0.19
Total	100	100	100	100	100
Profit & loss ratios (%)					
Gross margin	42.37	(41.40)	2.00	29.04	40.05
Operating profit margin	32.35	(65.64)	(9.50)	19.24	30.25
Pre-tax margin	29.87	(75.55)	(13.30)	16.71	28.87
Net profit margin	22.38	(56.72)	(9.98)	12.53	21.65
Selling & administrative expenses/revenue	6.50	15.02	8.00	6.30	6.30
Effective tax rate	25.08	24.92	25.00	25.00	25.00
Growth (%)					
Revenue	(4.01)	(66.82)	41.59	53.70	29.22
Gross profit	(10.23)	(132.42)	(106.85)	2,128.01	78.18
Operating profit	(13.50)	(167.32)	(79.51)	(411.44)	103.11
Net profit	(15.76)	n.a.	n.a.	n.a.	123.30
Balance sheet ratios					
Current ratio (x)	0.48	0.39	0.39	0.43	0.62
Quick ratio (x)	0.43	0.33	0.36	0.41	0.59
Cash ratio (x)	0.24	0.24	0.26	0.29	0.46
Trade and bill receivables days	46.85	115.01	65.00	48.00	45.00
Trade and bill payables turnover days	357.03	449.34	500.00	500.00	500.00
Inventory turnover days	9.11	11.65	12.00	10.00	10.00
Total debt / equity ratio (%)	9.16	25.60	27.60	20.65	16.51
Net debt / equity ratio (%)	2.50	15.28	16.49	8.20	Net cash
Returns (%)					
ROAA	6.97	(5.80)	(1.45)	2.85	6.22
ROAE	10.00	(8.62)	(2.34)	4.57	9.71
Payout ratio	45.02	0.00	0.00	40.00	40.00

Source(s): Company, ABCI Securities estimates

Shanghai Int'l Airport (600009 CH) Hard hit by reduced international flight

- Low vaccination rate worldwide would slash international passenger throughput
- Total passenger throughput would growth by 9%YoY/52%YoY in 2021E/22E
- 22%YoY increase in total cargo throughput in 2021E
- Adjusted net profit would be in the red in 2021E (- RMB 1,110mn) and swing back to profit in 2022E(RMB 2,025mn)
- Downgrade to **SELL** with TP at RMB 40.00, which implies 2.64x 2021E P/B

Low vaccination rate worldwide would slash SIA's international passenger throughput.

According to BBC and Our World in Data, as of May 27, 2021, vaccination rate (total vaccinations per 100 ppl) in the UK, US, France and Germany were 93.8, 86.9, 50.7 and 57.8 respectively. In Asia, vaccination rate in China, Japan, Korea and India were 40.5, 8.8, 13.2 and 14.6 respectively. In summary, the global vaccination rate is still low, putting pressure on international travel as governments are highly vigilant against the emergence of virus variants. Given that SIA is the most internationalized airport in China, the reduced air travel globally will dampen its revenue growth and margins.

Total passenger throughput would increase by 9%YoY/52%YoY in 2021E/22E. The trajectory of COVID-19 on the global level was complicated by the emergence of virus variants and the diminishing protective effect of vaccines over time. We therefore expect SIA to report 82% YoY decrease in international passenger throughput for 2021E where would drag the growth of overall passenger throughput to 9%YoY in 2021E. We believe the situation would improve and overall passenger throughput for SIA would rebound by 52% YoY in 2022E.

Cargo throughput: robust 22%YoY growth for 2021E on rising international cargo throughput. We believe cargo throughput would recover swiftly as restricted travelling worldwide would stimulate demand for imported goods. For 2021E, we expect total cargo throughput would jump 22% YoY on the 25% YoY increase in the international throughput.

Adjusted net loss: RMB 1,110mn in 2021E; RMB 2,025mn surplus in 2022E. We expect SIA to report a RMB 1,110mn net loss in 2021E on the back of the 9%YoY slow growth in passenger throughput during the year. We believe recovery would accelerate in 2022E with a net profit of RMB 2,025mn on the back of 52%YoY jump in total passenger throughput.

Downgrade to SELL, TP at RMB 40.0. Our DCF-derived TP at RMB 40.0 implies 2.64x 2021E P/B.

Results and Valuation

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Revenue (RMB mn)	10,945	4,303	4,481	8,449	10,878
Chg (% YoY)	17.5	-60.7	4.1	88.5	28.7
Adj. net profit [#] (RMB mn)	5,054	-1,265	-1,110	2,025	3,811
Chg (% YoY)	19.2	n.a.	n.a.	n.a.	88.2
EPS (RMB)	2.622	-0.659	-0.579	1.055	1.986
Chg (% YoY)	19.0	n.a.	n.a.	n.a.	88.2
BVPS (RMB)	16.606	15.223	15.166	16.060	17.294
Chg (% YoY)	13.1	-8.3	-0.4	5.9	7.7
P/E (x)	19.37	n.a.	n.a.	48.15	25.58
P/B (x)	3.06	3.34	3.35	3.16	2.94
ROAE (%)	16.70	-4.14	-3.81	6.76	11.91
ROAA (%)	14.77	-3.60	-3.30	5.66	9.88
DPS (RMB)	0.790	0.000	0.000	0.316	0.596
Dvd yield (%)	1.97	0.00	0.00	0.79	1.49
Net gearing* (%)	Net cash	Net cash	Net cash	Net cash	Net cash

* Net gearing=Net debt/Total equity;

[#]Adj. net profit = net profit excluded fair value change, impairment loss and non-operating income

Source(s): Bloomberg, ABCI Securities estimates

Company Report

June 7, 2021

Rating: **SELL**

TP: **RMB 40.00**

Analyst : Kelvin Ng
 Tel: (852) 2147 8869
 kelvinng@abci.com.hk

Share price (RMB)	50.80
Est. share price return	(21.26%)
Est. dividend yield	0.00%
Est. total return	(21.26%)
Previous rating	BUY
Previous TP	90.00
Previous report date	27 Oct 2020

Source(s): ABCI Securities estimates

Key Data

52Wk H/L (RMB)	83.0/44.0
Total issued shares (mn)	1,927
Market cap (RMB mn)	97,892
3-mth avg daily turnover (RMB mn)	1,208
Major shareholder(s):	
Shanghai SASAC	53.3%

Source(s): Bloomberg, ABCI Securities

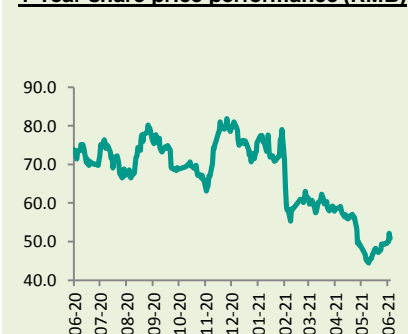
Share Performance A-Share (%)

	Absolute	Relative*
1-mth	3.38	(0.83)
3-mth	(16.28)	(18.85)
6-mth	(37.33)	(41.61)

*Relative to SHCOMP

Source(s): Bloomberg, ABCI Securities

1-Year share price performance (RMB)



Source(s): Bloomberg, ABCI Securities

2021/22E outlook

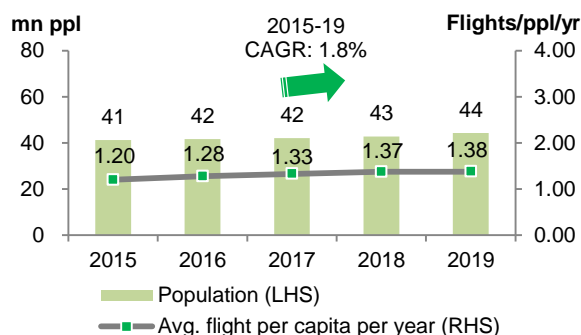
Low vaccination rate worldwide would slash SIA's international passenger throughput

According to BBC and Our World in Data, as of May 27, 2021, vaccination rate (total vaccinations per 100 ppl) in the UK, US, France and Germany were 93.8, 86.9, 50.7 and 57.8 respectively. In Asia, vaccination rate in China, Japan, Korea and India were 40.5, 8.8, 13.2 and 14.6 respectively. In summary, the global vaccination rate is still low, putting pressure on international travel as governments are highly vigilant against the emergence of virus variants. Given that SIA is the most internationalized airport in China, the reduced air travel globally will dampen its revenue growth and margins.

Key advantage: rising population in the Yangtze River Delta region (YRD)

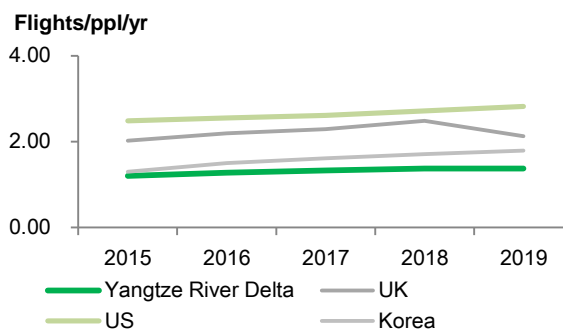
According to MOHURD, total population (permanent and temperate residents) in YRD (including cities such as Shanghai, Suzhou, Wuxi, Nantong, Changzhou, Changshu and Jiaqing) was 44.3mn in 2019, up 3.3%YoY, mainly attributable to the rapid growth in Suzhou (+28.3% YoY). The 2015-19 population CAGR in YRD was 1.8%, mainly driven by Suzhou (2015-19 CAGR: 10.8%) and Changzhou (2015-19 CAGR: 3.8%). We believe population growth in YRD will trend up, supporting demand for air travel.

Exhibit 55: Population and average flight per capita per year ratio in YRD



Source(s): MOHURD, ABCI Securities

Exhibit 56: Average flight per capita per year: YRD remains low compared to the advanced countries



Source(s): MOHURD, World Bank, ABCI Securities

Poor international passenger throughput would drag SIA's business; 2021E passenger throughput would go up by 9%YoY; 52%YoY jump in 2022E

The trajectory of COVID-19 on the global level is complicated by the emergence of virus variants and the diminishing protective effect of vaccines over time. We therefore expect SIA to report an 83% YoY decrease in international passenger throughput for 2021E. We estimate domestic passenger throughput to increase by 25%YoY, overall passenger throughput would increase by 9%YoY in 2021E. We believe as the pandemic impacts soften, overall passenger throughput for SIA would rebound by 52% YoY in 2022E.

Cargo throughput: robust 22%YoY growth in 2021E is expected, driven by international cargo throughput

Unlike passenger throughput, cargo throughput recovered swiftly. According to SIA's data, total cargo throughput jumped 31%YoY in 4M21, of which international throughput recorded a 35%YoY leap. For 2021E, we expect total cargo throughput would gain 22% YoY, driven by the 25% YoY growth in international throughput. For 2022E, we expect SIA's cargo throughput would be up by 7%YoY growth as the impact of COVID-19 fades.

Adjusted net loss: RMB 1,110mn in 2021E; RMB 2,025mn gain in 2022E

We expect SIA to report a net loss of RMB 1,110mn for 2021E (2020: RMB 1,267mn net loss) due to the 9%YoY passenger throughput decline during the year. We believe recovery would emerge in 2022. We expect SIA to report an adjusted net profit of RMB 2,025mn on the back of the 52%YoY rebound in passenger throughput.

Downgrade to SELL, TP at RMB 40.00

The recovery of SIA's passenger throughput was worse than expected due to the reduced international passenger throughput. We revise down passenger throughput assumptions for 2021E/22E/23E by 52%/32%/22% to factor in the steep decline in foreign passengers. In addition, we revise up operating cost for 2021E/22E/23E by 29%/24%/19% to reflect the increasing in hygiene and safety check costs. We therefore revise down adjusted net loss to RMB 1,110mn for 2021E; 2022E/23E net profits are revised down by 71%/55%.

We believe foreign passenger throughput in the next three years would be subdued in China due to various travelling restrictions imposed around the world. We believe domestic passengers will be the revenue driver for China's airports. Foreign passengers have been a major customer source for SIA (contributed to more than 40% of total passenger throughput in 2016-19), SIA's revenue will continue to be affected in the next three years.

We downgrade from **BUY** to **SELL**; our DCF-derived TP at RMB 40.00 (previous at RMB 90.00) implies 2.64x 2021E P/B.

Exhibit 57: Changes in estimates

	Units	Old estimates		New estimates		Change		Main reasons
		2022E	2023E	2022E	2023E	2022E	2023E	
Adj. NP	RMBmn	2,133	2,293	2,025	3,811	-70.6%	-54.7%	Decrease passenger throughput to lower earnings growth
EPS	RMB	0.47	0.50	1.05	1.99	-70.4%	-54.5%	Decrease passenger throughput to lower earnings growth
Valuation	RMBmn	20,468		76,767		-55.7%		Decrease in 2022E/23E earnings reduces valuation
TP	RMB	5.10		40.00		-55.6%		Decrease in 2022E/23E earnings reduces valuation

Source(s): ABCI Securities estimates

1Q21 results highlight

RMB 436mn net loss in 1Q21 was worse than expected

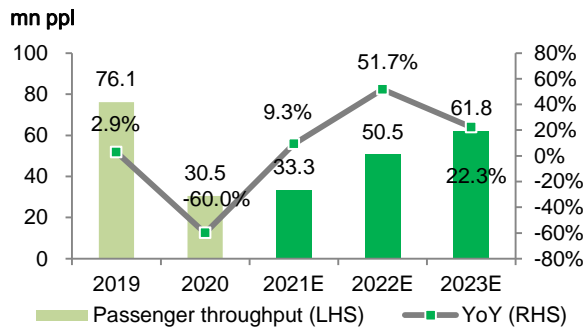
SIA 1Q21 revenue was RMB 866mn (-47%YoY), achieving 7% of our previous 2021E estimate, much lower than the historical average run rate of 26%. Net loss was -RMB 436mn (1Q20 net profit: RMB 81mn).

17%YoY decline in passenger throughput was the key drag; cargo throughput was up 38%YoY

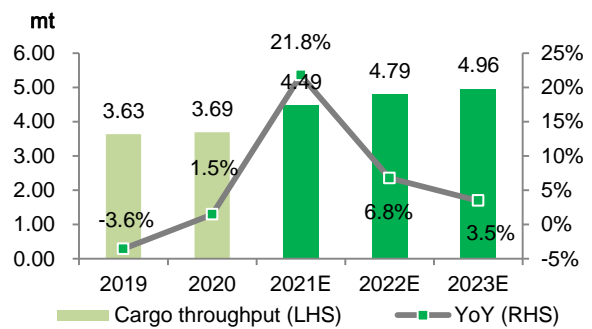
SIA report passenger throughput of 6.7mn people (-17%YoY), achieving 10% of our previous 2021 estimate, lower than its historical average run rate of 25%. The key drag was the 96% YoY decline in international passenger throughput. Cargo throughput was 1.03mt (+38%YoY), equivalent to 26% of our previous 2021 estimate, higher than its historical average run rate of 22%. In contrast, international cargo throughput, which went up 45% YoY to 0.85mt, was the bright spot.

Risk factors

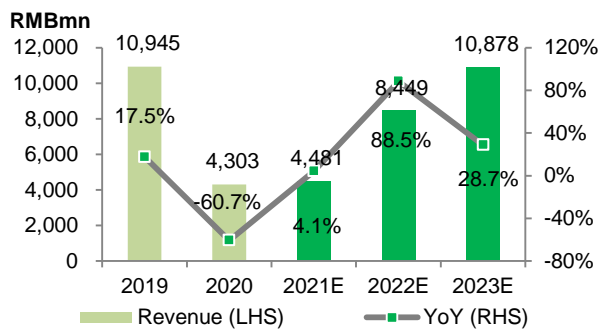
(1) Too concentrated in international passengers; (2) Announcement of new airport in Yangtze River Delta region would have negative impact to SIA; (3) Too concentrated in duty free business may hit SIA as international passenger throughput decline.

Exhibit 58: SIA's passenger throughput outlook


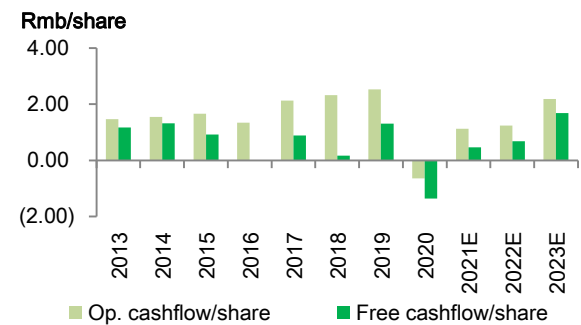
Source(s): Company, ABCI Securities estimates

Exhibit 59: SIA's cargo throughput outlook


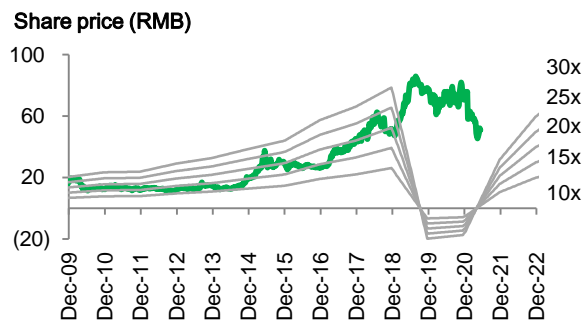
Source(s): Company, ABCI Securities estimates

Exhibit 60: SIA's revenue outlook


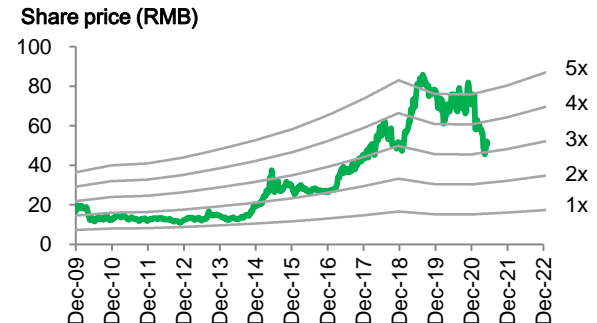
Source(s): Company, ABCI Securities estimates

Exhibit 61: SIA's cash flow outlook


Source(s): Company, ABCI Securities estimates

Exhibit 62: SIA's fwd P/E outlook


Source(s): Company, ABCI Securities estimates

Exhibit 63: SIA's fwd P/B chart


Source(s): Bloomberg, ABCI Securities estimates

Consolidated income statement

FY Ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Revenue	10,945	4,303	4,481	8,449	10,878
Aviation	4,084	1,727	2,824	3,970	4,912
Non-aviation	5,463	1,268	513	3,177	4,693
Others	1,398	1,309	1,144	1,301	1,273
Cost of sales	(5,350)	(6,605)	(6,489)	(6,644)	(6,935)
Gross Profit	5,594	(2,302)	(2,007)	1,805	3,943
SG&A expenses	(265)	(233)	(112)	(212)	(273)
Net financial income (cost)	209	276	176	201	236
Other income/ (expenses)	1,130	743	472	890	1,145
Profit before tax	6,668	(1,516)	(1,472)	2,684	5,051
Tax	(1,407)	347	309	(564)	(1,061)
Profit after tax	5,261	(1,169)	(1,163)	2,120	3,990
Profit attributable to:					
Minority interest	231	98	(52)	95	180
Equity shareholders of the Co.	5,030	(1,267)	(1,110)	2,025	3,811
Adj. equity shareholders of the Co.	5,054	(1,265)	(1,110)	2,025	3,811
Basic EPS (RMB)	2.610	(0.660)	(0.579)	1.055	1.986
Adj. basic EPS (RMB)	2.622	(0.659)	(0.579)	1.055	1.986
DPS (RMB)	0.790	0.000	0.000	0.316	0.596

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet

As of Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Current assets	12,468	9,824	9,862	13,410	15,162
Cash	10,360	7,656	8,735	10,254	13,113
Trade and bill receivables	1,662	1,648	1,053	2,882	1,886
Other receivables and prepayments	74	115	44	256	131
Inventories	14	17	29	18	31
Other current assets	358	388	0	0	0
Non-current assets	24,703	23,378	24,189	24,066	24,487
Property, plant & equipment	20,234	19,493	19,229	18,721	18,072
Intangible assets	499	494	514	534	554
Investment in JV and associates	3,930	2,966	3,583	4,329	5,229
Deferred tax assets	10	408	408	408	408
Other non-current assets	30	17	453	74	223
Total Assets	37,171	33,202	34,051	37,477	39,648
Current Liabilities	4,715	3,620	4,654	6,267	5,892
Trade and bill payables	575	618	733	1,160	1,120
Other payables	4,140	3,000	3,921	5,107	4,772
Short term borrowings	0	0	0	0	0
Other current liabilities	0	2	0	0	0
Non-current liabilities	7	23	0	0	0
Deferred tax liabilities	0	18	0	0	0
Long-term borrowings	0	0	0	0	0
Other non-current liabilities	7	6	0	0	0
Total Liabilities	4,722	3,643	4,654	6,267	5,892
Minority interests	445	343	291	387	566
Shareholders' equities	32,004	29,215	29,105	30,823	33,190

Source(s): Company, ABCI Securities estimates

Consolidated cash flow statement

FY ended Dec 31 (RMB mn)	2019A	2020A	2021E	2022E	2023E
Profit before tax	5,030	(1,267)	(1,110)	2,025	3,811
Change in depreciation and amortization	883	1,320	1,508	1,557	1,601
Change in Working Capital	2,190	(1,156)	2,070	(417)	733
Income tax paid	(1,199)	(1,407)	347	309	(564)
Others	(2,021)	1,292	(647)	(1,088)	(1,378)
Operating cash flow	4,885	(1,218)	2,169	2,386	4,203
CAPEX	(2,302)	(1,325)	(1,200)	(1,000)	(900)
Increase in intangible assets	(60)	(62)	(65)	(68)	(72)
Others	552	1,603	176	201	236
Investing cash flow	(1,810)	216	(1,089)	(867)	(736)
Net Capital raise	0	0	0	0	0
Net debt financing	0	0	0	0	0
Dividend payout	(1,481)	(1,702)	0	0	(607)
Others	0	0	(0)	0	0
Financing cash flow	(1,481)	(1,702)	(0)	0	(607)
Net change in cash	1,594	(2,704)	1,080	1,518	2,860
Cash at the beginning	8,766	10,360	7,656	8,735	10,254
Adjustment (Time deposit & FX effect)	0	(0)	0	0	0
Cash at the end	10,360	7,656	8,735	10,254	13,113

Source(s): Company, ABCI Securities estimates

Key ratio

FY ended Dec 31	2019A	2020A	2021E	2022E	2023E
Sales mixed (%)					
Aviation	37.31	40.14	63.02	46.99	45.15
Non-aviation	49.91	29.45	11.45	37.60	43.14
Others	12.77	30.41	25.53	15.40	11.70
Total	100	100	100	100	100
Profit & loss ratios (%)					
Gross margin	51.12	(53.49)	(44.79)	21.36	36.25
Operating profit margin	46.51	48.86	48.73	(55.29)	(47.27)
Pre-tax margin	60.92	(35.22)	(32.84)	31.76	46.44
Net profit margin	48.07	(27.15)	(25.95)	25.09	36.68
Selling & administrative expenses/revenue	2.42	5.42	2.51	2.51	2.51
Effective tax rate	21.10	22.90	21.00	21.00	21.00
Growth (%)					
Revenue	17.52	(60.68)	4.13	88.54	28.74
Gross profit	16.75	(141.14)	(12.79)	(189.93)	118.42
Operating profit	17.19	(144.62)	(10.96)	(175.32)	130.20
Net profit	18.72	n.a.	n.a.	n.a.	88.21
Balance sheet ratios					
Current ratio (x)	2.64	2.71	2.12	2.14	2.57
Quick ratio (x)	2.55	2.57	2.10	2.10	2.55
Cash ratio (x)	2.20	2.11	1.88	1.64	2.23
Trade and bill receivables days	49.63	140.36	110.00	85.00	80.00
Trade and bill payables turnover days	35.09	32.96	38.00	52.00	60.00
Inventory turnover days	1.17	0.87	1.30	1.30	1.30
Total debt / equity ratio (%)	0.00	0.00	0.00	0.00	0.00
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROAA	14.77	(3.60)	(3.30)	5.66	9.88
ROAE	16.70	(4.14)	(3.81)	6.76	11.91
Payout ratio	30.26	0.00	0.00	30.00	30.00

Source(s): Company, ABCI Securities estimates

Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return rate \geq Market return rate (10%)
Hold	- Market return rate (-10%) \leq Stock return rate $<$ Market return rate (+10%)
Sell	Stock return $<$ - Market return (-10%)

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2008 (HSI total return index 2008-20 CAGR at 10%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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