



Xin Point (1571 HK)

Order book supports solid growth

- Revenue was up 21.8% YoY in FY17, attributable to the 7.4% YoY ASP growth and 13.4% YoY sales volume growth
- GPM and NPM (to owners of the Company) edged up to 41.5% and 20.8%; operating cost pressure increased on higher staff costs and R&D expense in FY17
- Expanding production capacity and high order book visibility indicate solid growth in the future
- We expect revenue to grow at 19.2% CAGR in 2017-20E with margins continuing to improve
- Maintain BUY; TP represents 15.11x/12.54x 18E/19E P/E or 3.27x/2.97x 18E/19E P/B

Growth driven mostly by volume. Total revenue grew 21.8% YoY in FY17, reaching RMB 1.9bn. Total sales volume and overall ASP grew by 7.4% YoY and 13.4% YoY. Sales volume of automotive decorative components rose 16.1% YoY, while the ASP climbed 6.7% YoY. China remained as one of the potent growth drivers, as the region's revenue went up by 32.0% YoY. Europe also saw a decent revenue growth of 27.1% YoY. We believe growing revenue and ASP indicate the Group's competitiveness in the market and its ability to obtain new orders.

Margins remained stable. In FY17, GPM was 41.5%, slightly higher than the FY16 level (41.1%). OPM, pretax margin and NPM (to owners of the Company) rose to 27.1%, 27.2%, and 20.8%. However, the Group's SG&A/sales ratio increased on higher staff costs, higher R&D expenses, and goodwill impairment relating to the acquisition of an electroplating company located in Changzhou City.

Expansion of production capacity and strong order book enable solid growth ahead. Aside from the electroplating company in Changzhou, the Group also acquired land and factories in Jiujiang in 2017. As of end-2017, the Group's production capacity was 3.18mn sq.m; the new production base in Jiujiang is expected to add 700k sq.m to the total capacity by end-2018. In addition, the Group plans to complete the first production line in Mexico with production capacity of 700k sq.m in 1H19. The increasing production capacity, together with the backlog orders of RMB 9.7bn for 2018-2022, showed high growth visibility.

Decent growth ahead. Based on our estimates, revenue would grow by CAGR of 19.2% in 2017-20E. ASP and volume would expand at CAGRs of 3.6% and 15.1% in 2017-20E. Margin-wise, GPM and NPM (to owners of the Company) would increase to 43.4% and 21.8% in FY20E.

Maintain BUY; TP at HK\$ 8.98. FY17 performance was stable. Solid orders in hand and expansion in production capacity will support growth in coming years. Maintain **BUY**. Based on our DCF model, we raise TP to HK\$ 8.98, which represents 15.11x/12.54x 18E/19E P/E or 3.27x/2.97x 18E/19E P/B. Currently, the average 18E P/E of HK peers is at 13.5x while the 18E P/E of Minth is at 18.5x.

Risk factors: 1) Growth risk; 2) Commodity price risk; 3) Labor supply risk; 4) Product concentration risk; 5) Order procurement risk; 6) Product quality risk; 7) Export risk; 8) Currency risk.

Results and Valuation

FY ended Aug 31	FY16A	FY17A	FY18E	FY19E	FY20E
Revenue (RMB mn)	1,541	1,877	2,262	2,692	3,181
Chg (% YoY)	27.99	21.84	20.50	19.01	18.14
Net Profit (RMB mn)	298	391	483	583	694
Chg (% YoY)	30.60	31.15	23.52	20.56	19.12
Basic EPS (RMB cent)	40.00	44.00	48.02	57.89	68.96
Chg (% YoY)	N/A	10.00	9.13	20.56	19.12
P/E (x)	N/A	12.12	11.10	9.21	7.73
BVPS (RMB cent)	N/A	194.78	221.85	244.66	271.74
P/B (x)	N/A	2.74	2.40	2.18	1.96
DPS(HKD)	N/A	12.00	16.81	20.26	24.14
Yield (%)	N/A	2.25	3.15	3.80	4.53
ROAA (%)	21.42	19.29	17.66	18.57	19.85
ROAE (%)	32.24	26.19	23.05	24.82	26.71

Source(s): Company, ABCI Securities estimates

Company Report

Mar 19, 2018

Rating: BUY

TP: HK\$ 8.98

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Share price (HK\$)	6.60
52Wk H/L(HK\$)	7.01/2.75
Est. share price return	36.12%
Est. dividend yield	3.15%
Est. total return	39.28%
Previous rating&TP	BUY/HK\$5.20

Source(s): Bloomberg, ABCI Securities estimates

Key Data

Issued shares (mn)	1,006.49
Mkt cap (HK\$ mn)	6,642.81
3-mth ADT (HK\$mn)	9.16

Shareholding (%)	
Green Pinnacle	71.40
Greater Talent	6.31

Source(s): Bloomberg, HKEX

Revenue composition (%)

	FY18E
Automotive decorative components	99.31
Non-automotive decorative components	0.69

Source(s): ABCI Securities estimates

Price Performance (%)

	Absolute	Relative*
1-mth	12.44	10.85
3-mth	36.93	28.86
6-mth	57.14	44.13

* Relative to HSI

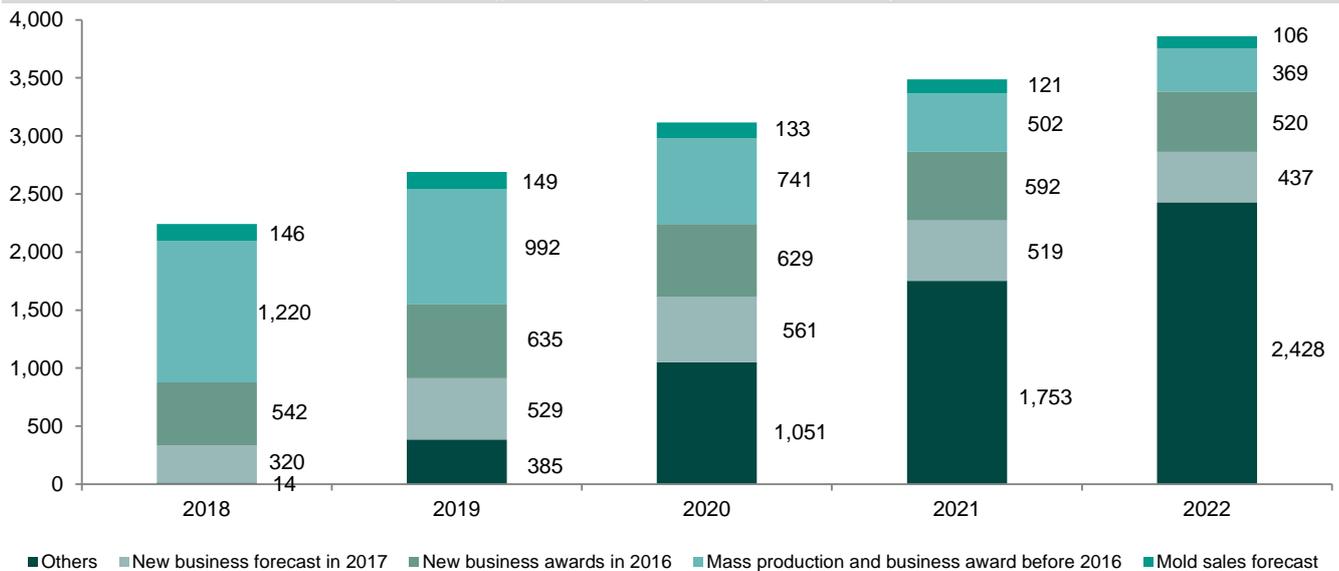
Source(s): Bloomberg

Price performance since IPO (HK\$)



Source(s): Bloomberg, ABCI Securities

* All pricing and market data as of end of Mar 19, 2018

Exhibit 1: Order book in 2018-22 (including forecasts by the Group, RMB mn)


Source(s): The Group, ABCI Securities

Exhibit 2: Brief introductions of production bases in China

Production base	Total GFA/Production capacity (sq.m)	Utilization rate (%)	Introduction
Huizhou	112,177 / 2,254,000	81.8	<ul style="list-style-type: none"> ➢ 7 electroplating lines ➢ 7 spray painting lines (6 with VM electroplating technology) ➢ 1 laser carving line ➢ 1 printing line ➢ 157 plastic injection machineries ➢ 55 mold production machines
Tianjin	10,788 / 101,100	62.9	<ul style="list-style-type: none"> ➢ 1 electroplating line ➢ 19 plastic injection machineries
Wuxi	12,361 / 822,400	78.7	<ul style="list-style-type: none"> ➢ 4 electroplating lines ➢ 71 plastic injection machineries
Jiujiang	N/A / 700,000	N/A	N/A

Source(s): The Group, ABCI Securities

Exhibit 3: Use of proceeds

Purpose	Percentage of total amount (%)	Net proceeds from IPO (RMB mn)	Amount utilized (RMB mn)	Amount un-utilized (RMB mn)
<u>Expanding and improving the production facilities in the PRC:</u>				
i) Set up the Huizhou New Production Base	20.9	155.0	39.2	115.8
ii) Construct the Wuxi New Production Base	10.3	76.4	12.0	64.4
iii) Construct a new electroplating production line	3.1	23.0	17.4	5.6
iv) Invest in plastic injection equipment	1.6	11.9	11.9	0
<u>Constructing the new production base in Mexico and investing in production facilities and equipment</u>				
	40.2	298.1	64.8	233.3
<u>Reinforcing the market position and enhancing the sales, increasing the direct exposure in the mid-to high-end automobile manufacturing segment and market shares in North America and Europe</u>				
	5.4	40.0	0.6	39.4
<u>Enhancing the product quality, product safety, and R&D capabilities</u>				
	5.7	42.3	6.1	36.2
<u>Enhancing the information technology and customer services systems</u>				
	4.8	35.6	2.5	33.1
<u>Working capital and general corporate purposes</u>				
	8.0	59.2	29.6	29.6

Source(s): The Group, ABCI Securities



Exhibit 4: Peer valuation

Ticker	Chn name	Eng name	Curcy	Price	Mkt cap (mn)	YTD Chg (%)	P/E		P/B		Div yld.		ROA		ROE	
							18E	19E	18E	19E	18E	19E	18E	19E	18E	19E
HK Universe																
1571 HK	信邦控股	Xin Point	HKD	6.62	6,663	32.6	15.1	12.5	3.3	3.0	3.2	3.8	17.7	18.6	23.1	24.8
425 HK Equity	敏实集团	Minth	HKD	42.65	49,306	(9.5)	18.5	14.9	3.3	2.8	2.0	2.5	13.5	14.4	18.6	20.0
3606 HK Equity	福耀玻璃	Fuyao Glass	HKD	33.15	80,731	(3.2)	16.1	14.3	3.0	2.7	3.7	4.2	12.1	12.7	18.8	19.4
698 HK Equity	通达集团	TONGDA	HKD	1.69	10,227	(15.5)	9.8	7.5	1.9	1.6	3.0	4.0	9.5	11.1	20.0	22.2
179 HK Equity	德昌电机控股	Johnson Electric	HKD	31.95	27,112	(2.4)	12.5	11.1	1.6	1.4	1.9	2.0	8.1	8.7	13.3	13.9
868 HK Equity	信义玻璃	Xinyi Glass	HKD	12.96	52,157	27.3	11.3	10.0	2.6	2.3	4.3	4.8	14.4	14.6	24.6	23.6
1316 HK Equity	耐世特	Nexteer	HKD	13.28	33,268	(28.5)	11.3	10.1	2.5	2.1	1.9	2.1	12.8	13.0	24.4	23.3
<i>Average</i>							<u>13.5</u>	<u>11.5</u>	<u>2.6</u>	<u>2.3</u>	<u>2.9</u>	<u>3.4</u>	<u>12.6</u>	<u>13.3</u>	<u>20.4</u>	<u>21.0</u>
International Universe																
EO FP	佛吉亚公司	Faurecia	EUR	67.26	9,284	3.3	12.6	11.8	2.4	2.0	1.9	2.1	6.5	6.7	19.4	18.2
LEA US	Lear 公司	Lear Corp	USD	190.73	12,764	8.0	9.9	9.2	3.5	2.8	1.0	1.1	10.8	10.7	31.3	37.4
ADNT US	Adient PLC	Adient PLC	USD	59.76	5,579	(24.1)	7.7	6.1	1.2	1.2	2.1	2.1	5.6	6.8	18.0	20.0
MSS IN	Motherson Sumi	Motherson Sumi	INR	306	644,163	(19.3)	33.6	23.1	6.8	5.7	1.0	1.2	7.3	9.4	21.4	26.1
CON GR	德国大陆集团	Continental Ag	EUR	222.1	44,421	(1.3)	12.8	11.8	2.4	2.1	2.3	2.5	8.8	8.9	19.6	18.6
GNTX US	金泰克斯公司	Gentex Corp	USD	23.5	6,449	12.2	14.3	13.1	3.0	2.6	1.8	1.8	18.4	18.3	22.5	22.1
FR FP	法雷奥集团	Valeo Sa	EUR	55.7	13,349	(10.6)	12.8	11.1	2.6	2.2	2.5	2.8	5.6	6.3	20.6	20.6
DLPH US	德尔福汽车	Delphi	USD	48.32	4,289	(7.9)	10.1	9.2	10.7	5.9	1.3	1.4	12.4	15.6	169.1	95.3
BWA US	博格华纳股	Borgwarner Inc	USD	51.44	10,841	0.7	11.8	10.8	2.5	2.2	1.3	1.3	9.0	9.2	21.9	20.6
TEN US	Tenneco 公司	Tenneco Inc	USD	55.11	2,834	(5.9)	7.2	6.5	3.8	3.0	1.9	1.9	7.8	8.6	47.1	42.9
MG CN	麦格纳国际	Magna Intl	CAD	73.06	26,184	2.6	8.3	7.5	1.6	1.4	2.2	2.3	10.4	10.9	20.5	21.3
GMM GR	格拉默	Grammer Ag	EUR	49.08	619	(5.3)	17.6	11.1	1.8	1.6	2.2	2.9	7.5	12.6	10.2	15.0
CIE SM	西艾意汽车	Cie Automotive	EUR	27.52	3,550	13.7	14.1	12.5	3.5	2.9	2.2	2.5	N/A	N/A	25.6	24.3
<i>Average</i>							<u>13.3</u>	<u>11.1</u>	<u>3.5</u>	<u>2.7</u>	<u>1.8</u>	<u>2.0</u>	<u>9.2</u>	<u>10.3</u>	<u>34.4</u>	<u>29.4</u>

*Data as of end of Mar 19, 2018

Source(s): Bloomberg, ABCI Securities estimates

Consolidated income statement (2016A-2020E)

FY ends at Dec 31 (RMB mn, otherwise stated)	2016A	2017A	2018E	2019E	2020E
Revenue	1,541	1,877	2,262	2,692	3,181
By product segment					
- Automotive decorative components	1,503	1,859	2,246	2,683	3,175
- Non-automotive components	38	18	16	9	5
By geographical segment					
- China	674	889	1,078	1,348	1,681
- North America	462	486	606	677	778
- Europe	348	442	491	561	606
- Others	57	59	87	106	116
COGS	(907)	(1,098)	(1,300)	(1,528)	-1,799
Gross profit	633	779	962	1,164	1,382
S&D expense	(29)	(37)	(45)	(53)	-63
Admin expense	(219)	(275)	(325)	(385)	-457
Net other income/(expenses)	26	42	35	32	41
Operating profit	412	509	628	758	903
Finance cost	(1)	(0)	(0)	0	0
Share of profit and losses of an associate	0	1	1	1	1
Pretax profit	411	510	629	758	904
Tax	(113)	(119)	(146)	(176)	-210
Net profit	298	391	483	583	694
- Profit attributable to shareholders	298	391	483	583	694
- Minority interest	0	0	0	0	0
Dividend	110	150	169	204	243
EPS (RMB cent)	40.00	44.00	48.02	57.89	68.96
DPS (RMB cent)	N/A	12.00	16.81	20.26	24.14

Note: The Group paid out dividend of RMB 110 mn before IPO in 2017

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet (2016A-2020E)

FY ends at Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Cash and cash equivalent	230	812	745	536	728
Trade and bills receivable	445	538	621	774	866
Inventories	219	327	281	456	399
Others	98	125	127	182	176
Total current assets	991	1,802	1,775	1,949	2,169
PP&E	429	613	1,039	1,249	1,318
Investment in an associate	1	2	1	2	2
Deferred tax assets	10	11	20	27	35
Others	87	112	99	113	130
Total non-current assets	526	738	1,160	1,391	1,485
Total assets	1,518	2,540	2,935	3,339	3,654
Trade payable	184	194	206	327	222
ST borrowings	4	1	0	0	0
Others	300	385	450	541	642
Total current liabilities	489	579	657	868	864
LT Borrowings	1	0	0	0	0
Deferred tax liabilities	0	0	45	9	55
Total non-current liabilities	1	0	45	9	55
Shareholders' equity	1,028	1,960	2,233	2,462	2,735
Minority interest	0	0	0	0	0
Total equity	1,028	1,960	2,233	2,462	2,735
Total liabilities and equity	1,518	2,540	2,935	3,339	3,654

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2016A-2020E)

FY ends at Dec 31 (RMB mn)	2016A	2017A	2018E	2019E	2020E
Pretax profit	411	510	629	758	904
Depreciation	59	65	106	137	169
Change in working capital	(96)	(206)	49	(258)	(42)
Others	(63)	(3)	134	(230)	(493)
Cash flow from operating activities	312	366	917	408	539
Capex	(177)	(321)	(478)	(357)	(251)
Others	(12)	(73)	(470)	(105)	97
Cash flow from investing activities	(189)	(393)	(948)	(462)	(154)
Change in borrowings	(22)	(3)	(2)	0	0
Others	(181)	608	(50)	(169)	(204)
Cash flow from financing activities	(203)	605	(52)	(169)	(204)
Net change in cash	(80)	578	(83)	(224)	181
Forex effect	8	5	16	15	11
Cash and cash equivalent - end	230	812	745	536	728

Source(s): Company, ABCI Securities estimates

Key operating and financial ratios (2016A-2020E)

FY ends at Dec 31	2016A	2017A	2018E	2019E	2020E
Growth (YoY %)					
Revenue	27.99	21.84	20.50	19.01	18.14
By product segment					
- Automotive decorative components	33.21	23.69	20.79	19.49	18.33
- Non-automotive components	(50.1)	(52.1)	(9.5)	(46.0)	(38.50)
By geographical segment					
- China	17.87	31.97	21.24	25.07	24.71
- North America	21.23	5.25	24.65	11.74	14.80
- Europe	65.77	27.06	10.92	14.26	7.99
- Others	38.44	4.69	46.88	21.52	9.75
Gross profit	39.96	23.04	23.47	20.96	18.71
Operating profit	49.23	23.63	23.40	20.61	19.17
Net profit (to owners of the parent)	30.60	31.15	23.52	20.56	19.12
Profitability ratios (%)					
GPM	41.1	41.51	42.54	43.23	43.44
OPM	26.7	27.12	27.77	28.14	28.38
Pretax margin	26.7	27.18	27.82	28.17	28.42
NPM (to owners of the parent)	19.4	20.84	21.37	21.64	21.82
Return ratios (%)					
ROAA	21.42	19.29	17.66	18.57	19.85
ROAE	32.24	26.19	23.05	24.82	26.71
ROIC	50.16	45.23	39.66	36.35	37.64
Liquidity ratio (x)					
Current ratio	2.03	3.11	2.70	2.24	2.51
Quick ratio	1.58	2.55	2.27	1.72	2.05
Cash ratio	0.47	1.40	1.13	0.62	0.84
Cash conversion cycle (days)					
Days of outstanding receivable	91	96	94	95	94
Days of inventory on hand	80	91	85	88	87
Days of outstanding payable	56	57	58	57	57
CCC	115	129	121	126	123
Leverage ratios (%)					
Debt to equity	0.49	0.10	0.00	0.00	0.00
Debt to assets	0.33	0.08	0.00	0.00	0.00
Net cash/(debt) to equity	21.85	41.33	33.37	21.76	26.61
Net cash/(debt) to assets	14.80	31.89	25.39	16.05	19.92

Source(s): Company, ABCI Securities estimates



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Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return $- 6\% \leq$ Stock return $<$ Market return rate
Sell	Stock return $<$ Market return $- 6\%$

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility $<$ 1.5
Low	180 day volatility/180 day benchmark index volatility $<$ 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index. Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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