

## Hong Kong

**ADD** (no change)

Consensus ratings\*: Buy 5 Hold 1 Sell 0

Current price:	HK\$9.02
Target price:	HK\$12.62
Previous target:	HK\$10.62
Up/downside:	39.9%
CGS-CIMB / Consensus:	41.9%
Reuters:	0819.HK
Bloomberg:	819 HK
Market cap:	US\$1,311m
	HK\$10,163m
Average daily turnover:	US\$4.95m
	HK\$38.36m
Current shares o/s:	1,127m
Free float:	63.5%

\*Source: Bloomberg

**Key changes in this note**

- FY20-22F revenue increased by 2.3%
- FY20-22F GPM increased by 0.8-0.9% pt
- FY20-22F EPS increased by 19-23%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	24.9	49.1	33.6
Relative (%)	27.4	63.4	48.9

Major shareholders	% held
Zhang Tianren	36.5
BlackRock, Inc.	5.1

**Analyst**

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# Tianneng Power International

## E-bike market led by delivery/express

- The delivery and express industries are booming amid the Covid-19 outbreak as people increasingly use delivery services and make purchases online.
- We raise EPS by 19-23% in FY20-22F to reflect stronger lead-acid motive battery (LAMB) demand and better GPM.
- Reiterate Add as Tianneng is well positioned to capture robust LAMB demand, thanks to the growing delivery and express industries.

### Tianneng will benefit from fast growth in e-bike/e-tri ownerships

We believe Tianneng Power (Tianneng) will be the key beneficiary of the rapid growth in electric-bike (e-bike) and electric-tricycle (e-tri) ownership in China amid the Covid-19 outbreak as demand for delivery and express services surge. E-bikes are a major mode of transportation for delivery while e-tris are the key trucks for last-mile transportation in China's low-tire cities. Tianneng is currently the largest lead-acid motive battery (LAMB) manufacturer in China. We estimate it held c.45% of LAMB (including the primary and replacement market) market share in China in 2019 (c.43% in 2018).

### Delivery and express industries booming in a post Covid-19 China

It is increasingly becoming a new normal in a post Covid-19 China for workers and students to ride e-bikes to work or school instead of the metro and buses to avoid public transportation. There has also been a surge in demand for delivery services for meals in many cities as people are reducing dining out. Similarly, online sales are experiencing substantial growth and have become the main shopping channel as consumer behaviours change. Based on various sources (such as industry researches), we estimate the total number of delivery riders in China was over 8m in 2019 while the number of couriers in the express industry was over 5m. We estimate the number of delivery riders and couriers increased sharply in Mar-May on the back of the explosion in delivery and express demand.

### E-bike demand to accelerate to c.38m units in 2020F

According to the National Bureau of Statistics (Figures 1 and 2), e-bike demand in China was relatively stable at around 30m units p.a. in 2014 to 2018. However, we believe this will accelerate to c.38m units in 2020F, driven by the rapidly-growing delivery and express industries and the e-bike upgrade cycle due to the new national standards. We believe Tianneng's LAMB output will increase by 13% yoy in FY20F (previously 11%), driven by stronger replacement demand. We also expect the group's GPM to stay at c.15.5% (15.4% in FY18), thanks to stabilised lead prices and benign competition.

### Reiterate Add with higher target price of HK\$12.62

We raise FY20-22F EPS by 19-23% due to higher volume growth and better GPM to reflect the boom in the e-bike/e-tri market. Our TP is raised to HK\$12.62, still based on 7x P/E, its upcycle trading range in the past 5-years. Share price catalysts are stable lead price and market share gain. Risk on our bullish call is volatility in lead price.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (Rmbm)	34,751	40,614	42,255	43,803	45,319
Operating EBITDA (Rmbm)	1,796	2,443	2,613	2,817	2,972
Net Profit (Rmbm)	1,188	1,682	1,759	1,885	1,975
Normalised EPS (Rmb)	1.08	1.52	1.56	1.67	1.75
Normalised EPS Growth	(2.4%)	41.5%	2.6%	7.2%	4.8%
FD Normalised P/E (x)	7.87	5.53	5.39	5.03	4.80
DPS (Rmb)	0.35	0.36	0.37	0.40	0.42
Dividend Yield	4.19%	4.30%	4.49%	4.81%	5.04%
EV/EBITDA (x)	3.00	1.78	1.32	0.85	0.41
P/FCFE (x)	5.15	22.74	5.90	5.30	4.89
Net Gearing	(77.4%)	(76.8%)	(78.2%)	(77.0%)	(76.5%)
P/BV (x)	1.81	1.40	1.21	1.02	0.87
ROE	24.2%	29.0%	24.5%	22.4%	19.8%
% Change In Normalised EPS Estimates			22.7%	18.8%	19.0%
Normalised EPS/consensus EPS (x)			1.08	1.04	1.15

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

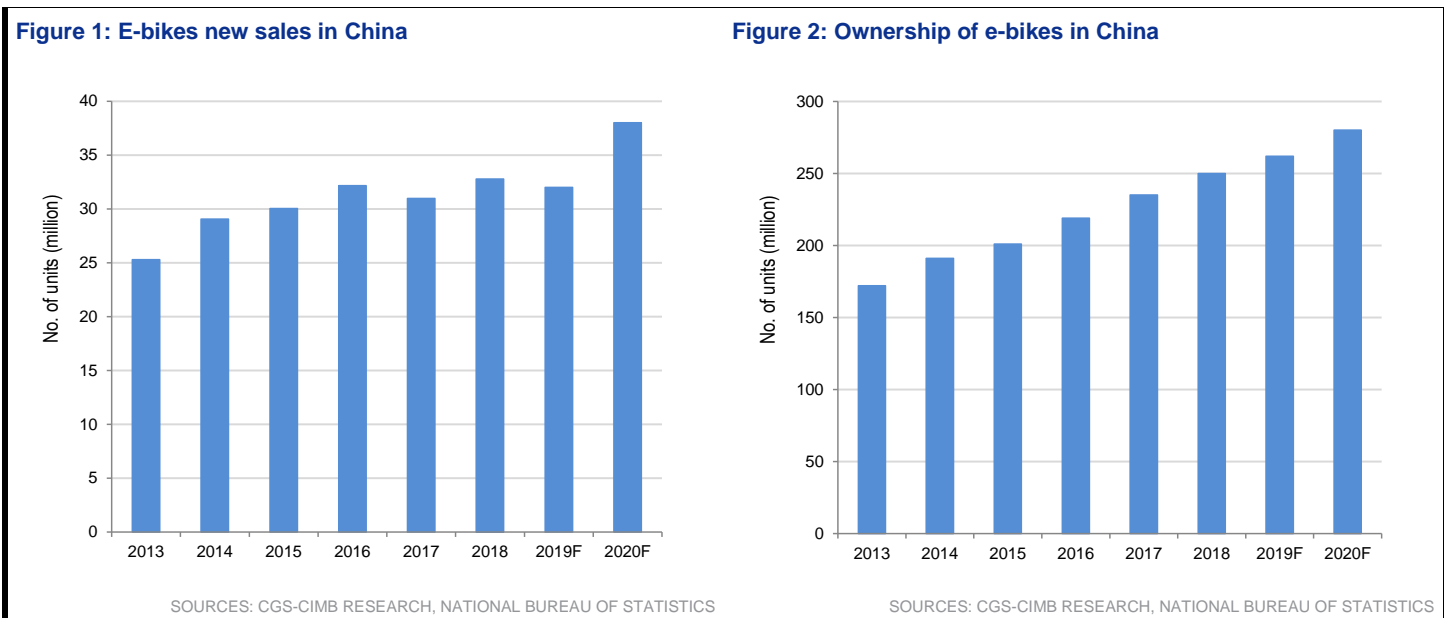
# E-bike market led by delivery/express

## E-bike demand to accelerate >

According to the National Bureau of statistics, electric bicycle (e-bikes) demand was relatively stable at around 30m units in 2014 to 2018 (Figure 1). Over the same years, ownership of e-bikes in China was approximately 250m units, with a net add of around 10m-15m units per annum (Figure 2).

However, we believe e-bike demand will accelerate to c.38m units in 2020F, fueled by the rapidly-growing delivery and express industry and the e-bike upgrade cycle due to the New National Standards#.

#The national standards for the “Safety Technical Specifications for Electric Bicycles” were formally approved and implemented on 15 April 2019 by the China Administration of Market Supervision and Standardization. The implementation of the new regulations has standardised the market, improved product safety performance and accelerated the intensified competition in the market.



**Figure 6: Earnings revisions**

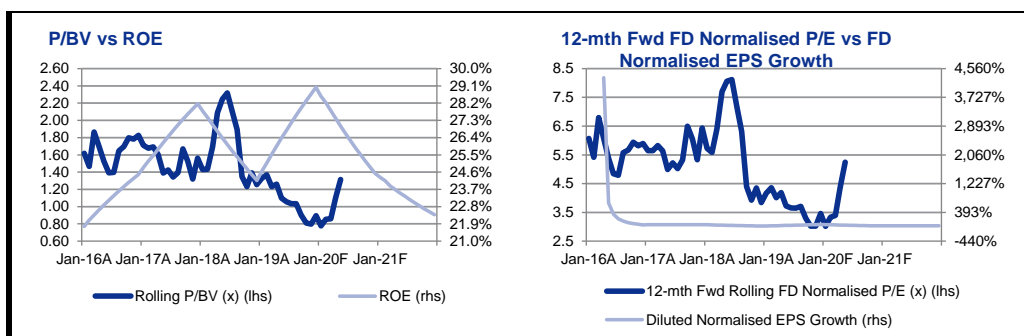
FYE Dec (Rmb m)	Dec-19A	Dec-20F			Dec-21F			Dec-22F		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	40,614	41,303	42,255	2.3%	42,809	43,803	2.3%	44,293	45,319	2.3%
Gross profit	4,688	4,403	4,883	10.9%	4,684	5,129	9.5%	4,865	5,329	9.6%
Gross profit margin	11.5%	10.7%	11.6%	0.9% pts	10.9%	11.7%	0.8% pts	11.0%	11.8%	0.8% pts
EBITDA	2,805	2,557	2,976	16.3%	2,802	3,183	13.6%	2,938	3,336	13.5%
Net profit	1,682	1,433	1,759	22.7%	1,586	1,885	18.8%	1,660	1,975	19.0%
EPS (Rmb)	1.493	1.27	1.56	22.7%	1.41	1.67	18.8%	1.47	1.75	19.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORT

**Figure 7: Peer comparison**

Company	Code	Recom.	Price		Upside (%)	Cap (US\$m)	P/E		3-year EPS CAGR %	P/BV		ROE		EV/EBITDA		Yield		
			(local curr)	(local curr)			CY2020F	CY2021F		CY2020F	CY2021F	CY2020F	CY2021F	CY2020F	CY2021F	CY2020F	CY2021F	
<b>Lead-acid battery manufacturers</b>																		
Tianneng Power	819 HK	Add	9.02	12.62	40%	1,311	5.3	4.9	2.4%	1.2	1.0	22.4%	19.8%	1.3	0.9	4.5%	4.8%	
Camel Group	601311 CH	Not Rated	9.11	N/A	n.a.	1,108	12.2	10.8	8.6%	1.1	1.0	9.5%	10.0%	N/A	N/A	2.2%	2.5%	
Exide Industries	EXID IN	Add	151	224	48%	1,697	12.9	11.3	9.8%	1.8	1.6	14.9%	#N/A	4.8	4.1	1.9%	2.2%	
Johnson Controls, Inc	JCI US	Not Rated	28.59	N/A	n.a.	21,267	15.0	13.3	N/A	1.1	1.1	7.1%	8.6%	9.6	8.8	3.8%	3.9%	
<b>Average</b>							<b>11.3</b>	<b>10.1</b>	<b>6.9%</b>	<b>1.3</b>	<b>1.2</b>	<b>13.5%</b>	<b>#N/A</b>	<b>5.2</b>	<b>4.6</b>	<b>3.1%</b>	<b>3.4%</b>	
<b>Battery materials suppliers</b>																		
Do-Fluoride Chemicals	002407 CH	Not Rated	10.57	N/A	n.a.	1,018	31.1	27.8	24.5%	#N/A	N/A	2.3	N/A	6.4%	N/A	N/A	0.0%	0.0%
Sichuan Tianqi Lithium	002466 CH	Not Rated	18.27	N/A	n.a.	3,801	N/A	48.5	-30.7%	2.3	2.7	-6.5%	2.8%	29.1	19.3	0.0%	0.5%	
<b>Average</b>							<b>31.1</b>	<b>38.1</b>	<b>-3.1%</b>	<b>2.3</b>	<b>2.5</b>	<b>-6.5%</b>	<b>4.6%</b>	<b>29.1</b>	<b>19.3</b>	<b>0.0%</b>	<b>0.3%</b>	

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (PRICE AS AT 14 MAY, 2020)

**BY THE NUMBERS**

**Profit & Loss**

(Rmbm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
<b>Total Net Revenues</b>	<b>34,751</b>	<b>40,614</b>	<b>42,255</b>	<b>43,803</b>	<b>45,319</b>
<b>Gross Profit</b>	<b>4,042</b>	<b>4,688</b>	<b>4,883</b>	<b>5,129</b>	<b>5,329</b>
<b>Operating EBITDA</b>	<b>1,796</b>	<b>2,443</b>	<b>2,613</b>	<b>2,817</b>	<b>2,972</b>
Depreciation And Amortisation	(394)	(485)	(567)	(625)	(678)
<b>Operating EBIT</b>	<b>1,403</b>	<b>1,958</b>	<b>2,046</b>	<b>2,192</b>	<b>2,294</b>
Financial Income/(Expense)	(158)	(162)	(152)	(139)	(123)
Pretax Income/(Loss) from Assoc.	3	(0)	0	0	0
Non-Operating Income/(Expense)	306	363	362	366	364
<b>Profit Before Tax (pre-EI)</b>	<b>1,554</b>	<b>2,159</b>	<b>2,257</b>	<b>2,419</b>	<b>2,535</b>
Exceptional Items	(23)	(33)	0	0	0
<b>Pre-tax Profit</b>	<b>1,531</b>	<b>2,126</b>	<b>2,257</b>	<b>2,419</b>	<b>2,535</b>
Taxation	(295)	(400)	(451)	(484)	(507)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,235</b>	<b>1,726</b>	<b>1,806</b>	<b>1,935</b>	<b>2,028</b>
Minority Interests	(47)	(44)	(47)	(50)	(53)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>1,188</b>	<b>1,682</b>	<b>1,759</b>	<b>1,885</b>	<b>1,975</b>
Normalised Net Profit	1,258	1,758	1,806	1,935	2,028
<b>Fully Diluted Normalised Profit</b>	<b>1,211</b>	<b>1,714</b>	<b>1,759</b>	<b>1,885</b>	<b>1,975</b>

**Cash Flow**

(Rmbm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
<b>EBITDA</b>	<b>1,796</b>	<b>2,443</b>	<b>2,613</b>	<b>2,817</b>	<b>2,972</b>
Cash Flow from Inv. & Assoc.	(3)	0	0	0	0
Change In Working Capital	88	(42)	60	51	54
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	506	585	618	626	629
Net Interest (Paid)/Received	(158)	(162)	(152)	(139)	(123)
Tax Paid	(295)	(400)	(451)	(484)	(507)
<b>Cashflow From Operations</b>	<b>1,934</b>	<b>2,424</b>	<b>2,687</b>	<b>2,872</b>	<b>3,024</b>
Capex	(654)	(1,118)	(1,118)	(1,118)	(1,118)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0	0	0	0	0
<b>Cash Flow From Investing</b>	<b>(654)</b>	<b>(1,118)</b>	<b>(1,118)</b>	<b>(1,118)</b>	<b>(1,118)</b>
Debt Raised/(repaid)	572	(889)	39	36	34
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(390)	(400)	(418)	(448)	(470)
Preferred Dividends					
Other Financing Cashflow	(190)	(255)	(255)	(260)	(265)
<b>Cash Flow From Financing</b>	<b>(7)</b>	<b>(1,544)</b>	<b>(635)</b>	<b>(673)</b>	<b>(700)</b>
Total Cash Generated	1,273	(238)	935	1,081	1,206
<b>Free Cashflow To Equity</b>	<b>1,853</b>	<b>417</b>	<b>1,608</b>	<b>1,789</b>	<b>1,940</b>
<b>Free Cashflow To Firm</b>	<b>1,470</b>	<b>1,561</b>	<b>1,824</b>	<b>2,014</b>	<b>2,171</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(Rmbm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	6,972	7,507	8,442	9,523	10,728
Total Debtors	1,246	1,514	1,575	1,633	1,689
Inventories	2,973	3,740	3,891	4,026	4,163
Total Other Current Assets	21	4	0	0	0
<b>Total Current Assets</b>	<b>11,212</b>	<b>12,765</b>	<b>13,908</b>	<b>15,182</b>	<b>16,581</b>
Fixed Assets	4,295	4,783	5,355	5,869	6,330
Total Investments	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	1,349	1,581	1,400	1,464	1,521
<b>Total Non-current Assets</b>	<b>5,644</b>	<b>6,365</b>	<b>6,756</b>	<b>7,333</b>	<b>7,851</b>
Short-term Debt	2,235	1,659	1,693	1,724	1,754
Current Portion of Long-Term Debt					
Total Creditors	5,752	6,746	7,018	7,262	7,509
Other Current Liabilities	2,566	2,667	2,861	2,913	2,945
<b>Total Current Liabilities</b>	<b>10,553</b>	<b>11,072</b>	<b>11,572</b>	<b>11,899</b>	<b>12,208</b>
Total Long-term Debt	566	253	258	263	267
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	263	441	458	475	492
<b>Total Non-current Liabilities</b>	<b>829</b>	<b>693</b>	<b>716</b>	<b>738</b>	<b>759</b>
Total Provisions	85	78	80	86	90
<b>Total Liabilities</b>	<b>11,467</b>	<b>11,844</b>	<b>12,368</b>	<b>12,722</b>	<b>13,057</b>
Shareholders' Equity	5,147	6,665	7,674	9,171	10,754
Minority Interests	242	622	622	622	622
<b>Total Equity</b>	<b>5,389</b>	<b>7,287</b>	<b>8,296</b>	<b>9,793</b>	<b>11,376</b>

**Key Ratios**

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	29.2%	16.9%	4.0%	3.7%	3.5%
Operating EBITDA Growth	3.2%	36.0%	7.0%	7.8%	5.5%
Operating EBITDA Margin	5.17%	6.01%	6.18%	6.43%	6.56%
Net Cash Per Share (Rmb)	3.70	4.97	5.76	6.69	7.73
BVPS (Rmb)	4.57	5.92	6.81	8.14	9.54
Gross Interest Cover	7.40	7.68	8.02	8.42	8.66
Effective Tax Rate	19.3%	18.8%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	32.2%	23.3%	23.8%	23.8%	23.8%
Accounts Receivables Days	19.11	12.40	13.38	13.37	13.38
Inventory Days	30.34	34.10	37.37	37.36	37.37
Accounts Payables Days	69.67	63.49	67.40	67.39	67.41
ROIC (%)	38.3%	93.8%	69.4%	70.2%	61.1%
ROCE (%)	18.3%	23.4%	21.9%	20.8%	19.2%
Return On Average Assets	8.9%	10.4%	9.6%	9.4%	9.0%

**Key Drivers**

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	35.8%	2.6%	-5.0%	10.0%	3.0%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	32.8%	-54.0%	-20.0%	0.0%	0.0%
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



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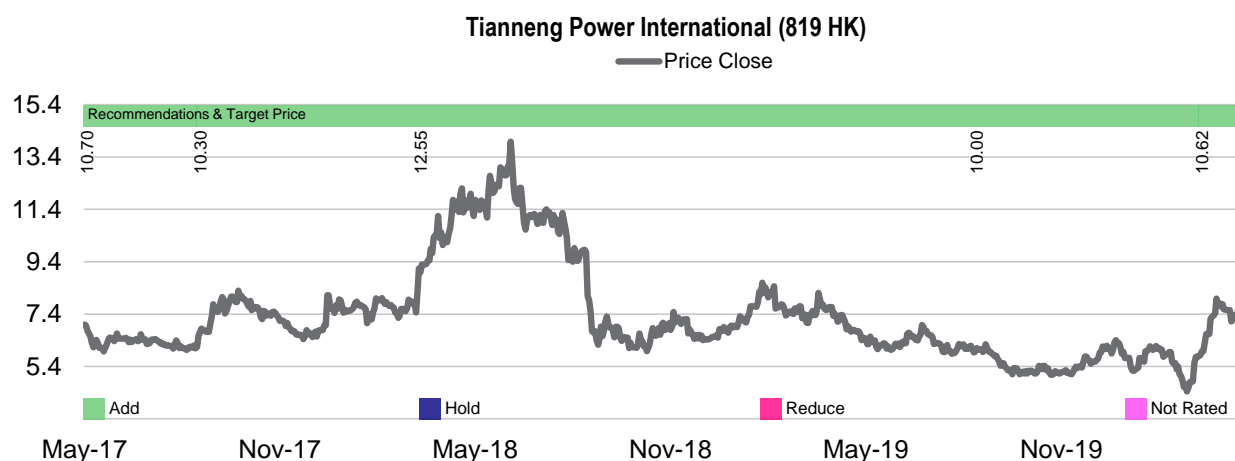
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Add	60.8%	0.1%
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Spitzer Chart for stock being researched ( 2 year data )



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019**

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4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

**Recommendation Framework****Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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