

Hong Kong

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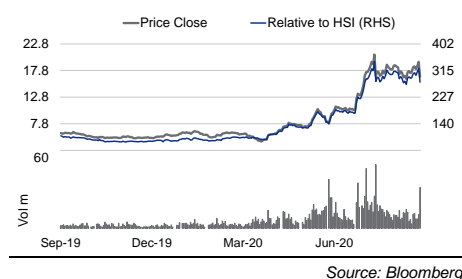
Consensus ratings*: Buy 6 Hold 1 Sell 0

Current price:	HK\$16.64
Target price:	HK\$19.38
Previous target:	HK\$19.38
Up/downside:	16.5%
CGS-CIMB / Consensus:	-34.7%
Reuters:	0819.HK
Bloomberg:	819 HK
Market cap:	US\$2,418m
	HK\$18,739m
Average daily turnover:	US\$29.11m
	HK\$230.9m
Current shares o/s	1,127m
Free float:	63.5%

*Source: Bloomberg

Key financial forecasts

	Dec-20F	Dec-21F	Dec-22F
Net Profit (Rmbm)	1,871	2,003	2,118
Normalised EPS (Rmb)	1.66	1.78	1.88
Normalised EPS Growth	9.15%	7.03%	5.78%
FD Normalised P/E (x)	9.04	8.45	7.99
Recurring ROE	25.9%	23.4%	20.8%
P/BV (x)	2.14	1.78	1.51
DPS (Rmb)	0.39	0.42	0.44
Dividend Yield	2.65%	2.84%	3.00%



Price performance	1M	3M	12M
Absolute (%)	-7.6	112.2	168.8
Relative (%)	-10	102.6	170.9

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

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Tianneng Power International

Delivery/express market lead LAMB demand

- 1H20 net profit grew 40% yoy to Rmb837m on a 2.3%-pt GPM expansion for battery manufacturing. It formed 45% of our FY20F forecast, largely in line.
- LAMB demand will remain strong in China post-Covid-19 due to robust battery replacement demand from the delivery/express industry.
- Reiterate Add with a target price of HK\$19.38, based on 10x FY21F P/E.

1H20 net profit grew 40% yoy on a 2.3%-pt GPM expansion

- Tianneng Power International's (Tianneng) 1H20 net profit grew 40% yoy to Rmb837m, above our forecast of Rmb679m. The discrepancy came in higher government grants of Rmb295m in 1H20 (vs. Rmb177m in 1H19).
- The robust results performance was mainly driven by a 2.3%-pt increase in GPM for battery manufacturing due to differentiated products, lowered lead prices and operational efficiencies, while revenue (excluding its trading business) decreased by 2.5% to Rmb13bn due to a c.10% decrease in lead price.

Strong growth momentum in LAMB to continue in 2H20F

- We estimate the company's lead-acid motive battery (LAMB) output in 1H20 increased by c.6% yoy to c.129m units, mainly driven by strong replacement demand from electric bicycles (e-bikes) and electric tricycles (e-tricycles) due to the surge in meal delivery services and online sales, as well as preference for short-distance transportation. We believe that such momentum will continue in 2H20F due to a steady growth of e-bike/tricycle ownerships and Tianneng's market share.
- Lithium-ion battery revenue rose 58% yoy to Rmb403m, thanks to overseas sales for e-bikes/e-tricycles, supported by its cooperation with Total SE, (FP FP, Not Rated), a French energy company. Tianneng has been working closely with Total SE on new product roll outs, i.e. super lithium iron phosphate batteries and energy storage systems (launched in 1H20). We expect strong lithium battery sales in 2H20F on broadening product offerings.

Reiterate Add, with an unchanged target price HK\$19.38

- We keep our earnings forecast unchanged and retain our Add call as we believe Tianneng will benefit from the surge in e-bikes/e-tricycles usage in China even post-Covid-19 due to its leading market share (which we estimate at c.45% in China). Our TP of HK\$19.38 is based on 10x FY21F P/E, a par with its closest A-share peer. Share price catalysts are robust delivery/express markets in China. A downside risk is volatility in lead prices and increase of competition from its key rival.

Figure 1: 1H20 results review

FYE Dec (Rmb m)	1HFY20	1HFY19	yoy % chg	hoh % chg	Prev. FY20F
Revenue	22,635	19,810	14.3	12.9	32,790
Operating costs	(21,139)	(18,727)	12.9	15.4	(29,564)
EBITDA	1,496	1,083	38.2	(13.2)	3,225
EBITDA margin (%)	6.6	5.5			9.8
Deprn & amort.	(259)	(209)	23.8	(6.0)	(569)
EBIT	1,237	873	41.6	(14.5)	2,656
Interest expense	(106)	(133)	(20.3)	(12.6)	(255)
Interest & invt inc	-	-	N/M	N/M	-
Associates' contrib	(0)	-	N/M	N/M	-
Exceptionals	(19)	4	N/M	(48.3)	-
Pretax profit	1,111	744	49.3	(13.8)	2,401
Tax	(251)	(153)	63.7	1.8	(480)
Tax rate (%)	23	21	-	-	20
Minority interests	(23)	5		(52.4)	(50)
Net profit	837	596	40.4	(15.7)	1,871
Core net profit	856	592	44.6	(16.9)	1,871
EPS (Rmb cts)	74.3	52.9	40.4	(15.7)	166.1
Core EPS (Rmb cts)	76.0	52.5	44.6	(16.9)	166.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Peers Comparison

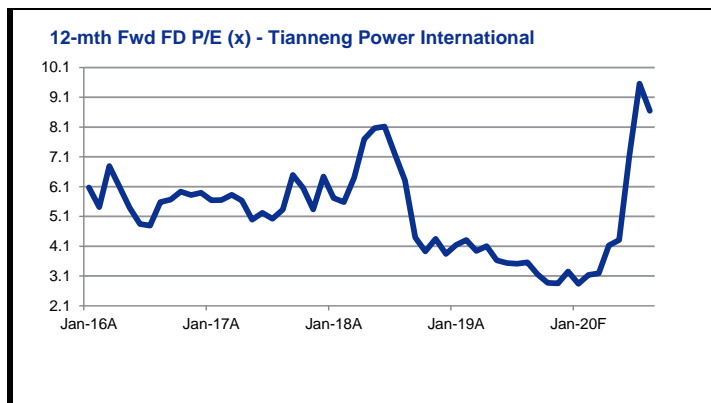
Company	Bloomberg Code	Recom.	Price	Target price	Upside (%)	Market Cap (US\$m)	P/E		3-year EPS CAGR %	P/BV		ROE		EV/EBITDA		Yield	
			(local curr)	(local curr)			CY2020F	CY2021F		CY2020F	CY2021F	CY2020F	CY2021F	CY2020F	CY2021F	CY2020F	CY2021F
Tianneng Power	819 HK	Add	16.64	19.38	16%	2,418	8.9	8.3	6.9%	2.1	1.8	23.4%	20.8%	4.0	3.3	2.6%	2.8%
Lead-acid battery and batteries manufacturers																	
Camel Group	601311 CH	Not Rated	8.19	N/A	n.a.	1,342	11.8	9.8	8.6%	1.1	1.1	9.3%	10.2%	N/A	N/A	2.1%	2.4%
Shenzhen Center Power Tech	002733 CH	Not Rated	20.66	N/A	n.a.	1,056	24.0	19.4	0.0%	2.9	2.7	7.4%	10.2%	N/A	N/A	0.0%	0.0%
Exide Industries	EXID IN	Add	164	201	23%	1,900	17.5	16.0	4.3%	2.1	1.9	12.5%	N/A	8.4	7.5	2.0%	2.1%
Johnson Controls, Inc	JCI US	Not Rated	41.30	N/A	n.a.	30,729	19.0	17.1	N/A	1.7	1.6	7.4%	9.3%	12.7	11.6	2.6%	2.7%
Average							18.0	15.6	4.3%	2.0	1.8	9.1%	9.9%	10.6	9.5	1.7%	1.8%
Battery materials suppliers																	
Do-Fluoride Chemicals	002407 CH	Not Rated	11.08	N/A	n.a.	1,125	32.6	36.9	23.5%	NA	2.4	N/A	6.5%	N/A	N/A	0.0%	1.4%
Shenzhen Kedali Industry	002850 CH	Not Rated	69.03	N/A	n.a.	2,117	50.0	34.0	0.0%	5.3	4.2	9.8%	12.2%	N/A	N/A	0.5%	1.0%
Sichuan Tianqi Lithium	002466 CH	Not Rated	22.70	N/A	n.a.	4,897	N/A	N/A	-35.8%	2.9	3.8	-6.5%	-3.2%	32.3	29.9	0.0%	0.0%
Average							41.3	35.5	-4.1%	4.1	3.5	1.6%	5.2%	32.3	29.9	0.2%	0.8%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG (31 AUG. 2020)

BY THE NUMBERS

Profit & Loss				
(Rmbm)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	40,614	42,897	45,022	47,159
Gross Profit	4,688	5,069	5,360	5,633
Operating EBITDA	2,443	2,759	2,975	3,165
Depreciation And Amortisation	(485)	(569)	(631)	(687)
Operating EBIT	1,958	2,190	2,344	2,478
Financial Income/(Expense)	(162)	(152)	(139)	(124)
Pretax Income/(Loss) from Assoc.	(0)	0	0	0
Non-Operating Income/(Expense)	363	362	366	364
Profit Before Tax (pre-EI)	2,159	2,401	2,570	2,719
Exceptional Items	(33)	0	0	0
Pre-tax Profit	2,126	2,401	2,570	2,719
Taxation	(400)	(480)	(514)	(544)
Exceptional Income - post-tax				
Profit After Tax	1,726	1,921	2,056	2,175
Minority Interests	(44)	(50)	(53)	(56)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Preference Dividends (Australia)				
Net Profit	1,682	1,871	2,003	2,118
Normalised Net Profit	1,758	1,921	2,056	2,175
Fully Diluted Normalised Profit	1,714	1,871	2,003	2,118

Cash Flow				
(Rmbm)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	2,443	2,759	2,975	3,165
Cash Flow from Inv. & Assoc.	0	0	0	0
Change In Working Capital	(291)	74	74	76
(Incr)/Decr In Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	585	618	628	633
Net Interest (Paid)/Received	(162)	(152)	(139)	(124)
Tax Paid	(509)	(480)	(514)	(544)
Cashflow From Operations	2,066	2,819	3,024	3,207
Capex	(1,178)	(1,158)	(1,158)	(1,158)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	201	0	0	0
Cash Flow From Investing	(977)	(1,158)	(1,158)	(1,158)
Debt Raised/(repaid)	(795)	54	49	48
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(395)	(440)	(471)	(498)
Preferred Dividends				
Other Financing Cashflow	656	(255)	(262)	(269)
Cash Flow From Financing	(534)	(641)	(684)	(719)
Total Cash Generated	555	1,019	1,181	1,330
Free Cashflow To Equity	294	1,714	1,914	2,097
Free Cashflow To Firm	1,344	1,916	2,128	2,318



Balance Sheet				
(Rmbm)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	7,507	8,527	9,708	11,037
Total Debtors	1,514	1,599	1,678	1,758
Inventories	3,740	3,938	4,129	4,323
Total Other Current Assets	4	0	0	0
Total Current Assets	12,765	14,064	15,515	17,119
Fixed Assets	4,783	5,393	5,941	6,433
Total Investments	0	0	0	0
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	1,581	1,405	1,473	1,534
Total Non-current Assets	6,365	6,799	7,415	7,968
Short-term Debt	1,659	1,706	1,748	1,790
Current Portion of Long-Term Debt				
Total Creditors	6,746	7,104	7,448	7,798
Other Current Liabilities	2,667	2,861	2,941	2,975
Total Current Liabilities	11,072	11,671	12,137	12,563
Total Long-term Debt	253	260	266	273
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	441	465	488	512
Total Non-current Liabilities	693	725	755	784
Total Provisions	78	85	91	97
Total Liabilities	11,844	12,481	12,983	13,443
Shareholders' Equity	6,665	7,760	9,325	11,021
Minority Interests	622	622	622	622
Total Equity	7,287	8,382	9,947	11,643

Key Ratios				
	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	16.9%	5.6%	5.0%	4.7%
Operating EBITDA Growth	36.0%	13.0%	7.8%	6.4%
Operating EBITDA Margin	6.01%	6.43%	6.61%	6.71%
Net Cash Per Share (Rmb)	4.97	5.82	6.83	7.97
BVPS (Rmb)	5.92	6.89	8.28	9.78
Gross Interest Cover	7.68	8.59	8.94	9.22
Effective Tax Rate	18.8%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	23.1%	23.5%	23.5%	23.5%
Accounts Receivables Days	12.40	13.28	13.29	13.30
Inventory Days	34.10	37.15	37.12	37.15
Accounts Payables Days	63.49	67.00	66.96	67.00
ROIC (%)	93.8%	74.3%	74.1%	65.6%
ROCE (%)	23.4%	23.3%	21.9%	20.3%
Return On Average Assets	10.4%	10.2%	9.9%	9.4%

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

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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800 companies under coverage for quarter ended on 30 June 2020		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.1%	0.4%
Hold	25.9%	0.1%
Reduce	14.0%	0.3%

Spitzer Chart for stock being researched (2 year data)
Tianneng Power International (819 HK)

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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1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

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)

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- Add** The stock's total return is expected to exceed 10% over the next 12 months.
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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.

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