

China Market Strategy

Shanghai lockdown and its ripple effect (part 2) – quantifying impact on consumer sector

Strategy | Strategy

Figure 1: Impact across all consumer sectors

	Negative impact	Positive impact
★★★★★	Catering	-
★★★★	Aesthetics, sportswear, air-conditioner, washing machine	-
★★★	Condiment	-
★★	Cosmetics, small home appliance	Refrigerator
★	Baijiu, e-cigarette	-

Source: Company data, Credit Suisse estimates

- **~16% of China retail sales is at huge risk**, given least 28 large and medium-sized cities in China have announced lockdown measures since late March. Our on-the-ground observation in Shanghai found foot traffic of offline retail severely dropped since mid-Mar, while the city's offline/online activities remain silenced and continue to face logistic challenges regardless of the easing arrangements. We believe such control measures imposed have put both online and offline consumption on a downward spiral. On a positive note, the government is ready to launch multiple stimulus measures to pump up consumption.
- **Survey results echo our concerns.** A CQi survey pointed to a more bearish employment outlook, weakening household income and consumption sentiment in the last month, while the service sector remains a soft spot. Consumers tend toward saving than spending, amid the deterioration in the macro environment.
- **The incremental impact weighs down.** Following a continuous decline in March, our channel check found almost all sectors are impacted. We believe sectors with high-exposure to tier 1 cities, offline retail, and logistics bottleneck are key victims of the lockdown, including catering, condiment, sportswear, aesthetics, and home appliance (air-conditioner/washing machine), while refrigerator should benefit from booming stocking demand. Our channel check indicates the catering sector's SSS recovery at ~60-80% in March, with further decline in April; sportswear's demand growth slowed down significantly in 2H of March, with some brands experiencing negative growth into April; and aesthetics companies' revenue in March and 1H of April is largely erased. We expect moderate rebound in consumption to take place during the Labour Holiday if control measures are lifted in time.
- **Earnings estimates revisions reflect the reality.** We revisited our earnings estimates to reflect a more bearish earnings outlook as a result of lockdowns. In particular, we lowered FY22 EPS forecast for catering companies by 11% to 31%, while we cut Haitian/Anta/Li Ning/Proya by 6.0%/12.2%/5.5%/5.2% respectively. We lower price targets across our coverage, and downgrade Haitian to NEUTRAL from OUTPERFORM. We see Haier as a defensive play in this difficult time on the back of healthy exposure to refrigerators.

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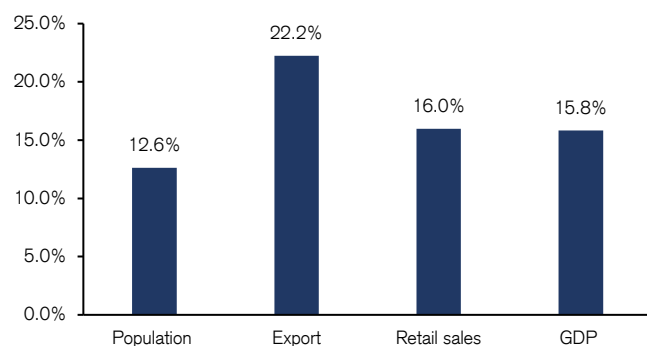
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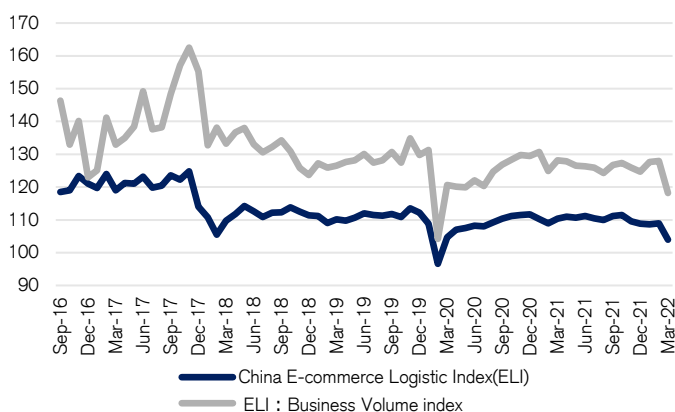
Focus charts

Figure 2: Contribution to the country by the 28 cities currently under lockdown



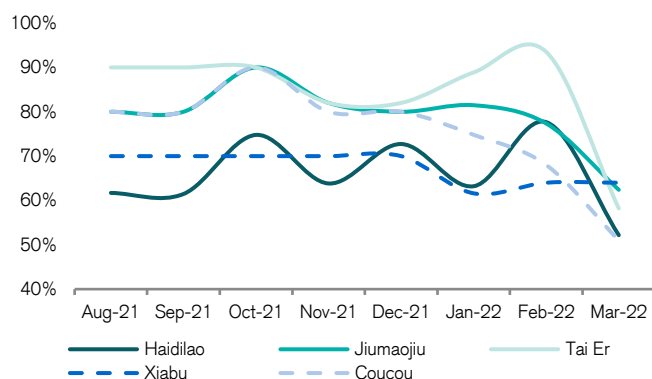
Source: State Council, local media, Credit Suisse

Figure 4: China E-commerce Logistics Index (ELI)



Source: Wind

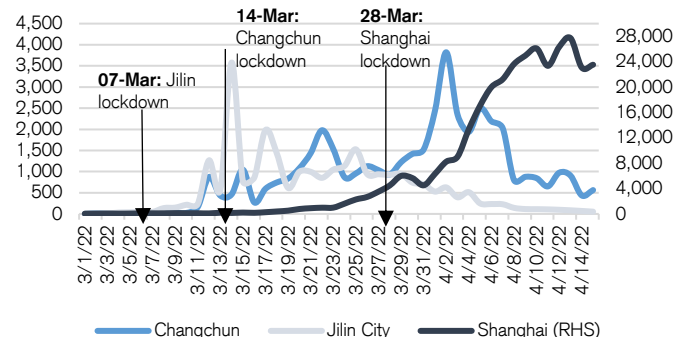
Figure 6: Recovery rate of SSS/table turn vs 2019 trended down in March



Note: Overall table turn recovery for Haidilao and SSS recovery for other brands.

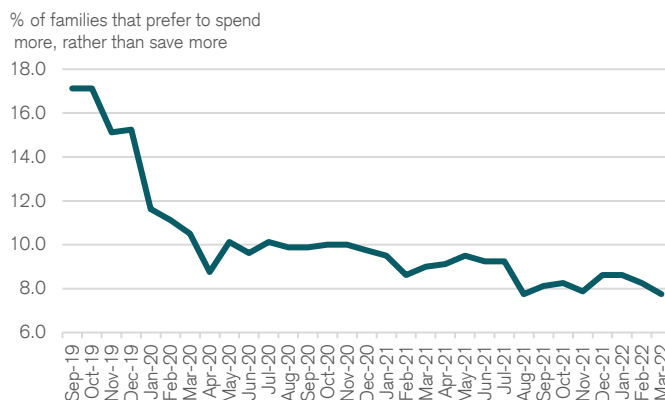
Source: Company data, Credit Suisse estimates

Figure 3: Covid-19 cases after lockdown imposed in Jilin City, Changchun and Shanghai



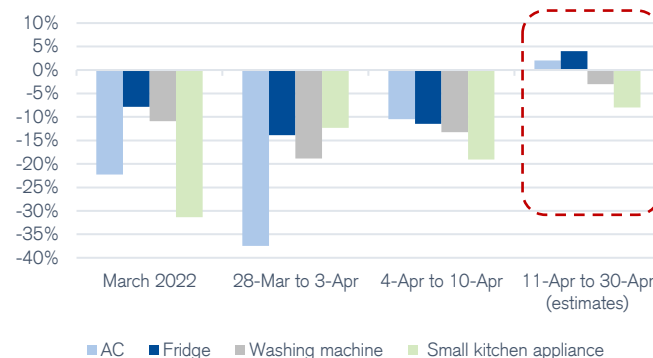
Note: Covid-19 data is based on local symptomatic + asymptomatic cases. Data as of 16-Apr-2022. Source: CCTV news reports

Figure 5: Spending propensity— % of families that prefer to spend more, rather than save more



Source: CQi surveys. CQi is a product of Credit Suisse APAC Equities and not part of Credit Suisse Equity Research

Figure 7: Refrigerator outperforming amid pandemic-driven city lockdown during Mar-Apr 2022



Source: AVC, Credit Suisse estimates

Valuation comp table

Figure 8: Consumer companies estimates changes

Company	Ticker	Rating (prev.)	Current Price	Target Price (prev.)	TP change (%)	Upside /downside (%)	2022E EPS (prev.)	2022E EPS Change (%)	2022E P/E
Catering									
Yum China	YUMC.N	O	41.8	58.0	-	38.6%	1.44 (1.69)	-14.6%	29.1
Haidilao	6862.HK	N	16.2	16.5 (14.5)	13.8%	2.1%	0.15 (0.22)	-30.9%	85.9
Jiumaojiu	9922.HK	O	16.7	21.0	-	25.7%	0.31 (0.35)	-11.4%	44.0
Xiabu Xiabu	0520.HK	O	3.9	5.0	-	27.6%	0.07 (0.09)	-29.0%	48.6
Condiment									
Haitian	603288.SS	N (O)	90.4	96.0 (128.0)	-25.0%	6.2%	1.73 (1.84)	-6.3%	52.4
Sportswear									
Anta	2020.HK	O	93.1	130.0 (145.0)	-10.3%	39.6%	3.21 (3.66)	-12.2%	23.5
Li Ning	2331.HK	O	64.0	88.0 (92.0)	-4.3%	37.6%	1.83 (1.94)	-5.5%	28.4
Cosmetics									
Proya	603605.SS	O	184.1	225.0 (251.0)	-10.4%	22.2%	3.45 (3.63)	-5.2%	53.4
Aesthetics									
Angelalign	6699.HK	U	123.5	108.0 (117.0)	-7.7%	-12.6%	2.07 (2.14)	-1.7%	48.4
Haohai (H)	6826.HK	N	38.7	39.0 (40.0)	-2.5%	0.8%	2.54 (2.58)	-1.7%	12.4
Haohai (A)	688366.SS	N	85.5	89.0 (101.0)	-11.9%	4.1%	2.54 (2.58)	-1.7%	33.7
Home appliance									
Haier Smart Home (A)	600690.SS	O	24.7	35.2 (36.5)	-3.6%	42.8%	1.62 (1.63)	-0.7%	15.2
Haier Smart Home (H)	6690.HK	O	27.4	42.2 (43.8)	-3.6%	54.4%	1.62 (1.63)	-0.7%	14.1
Midea	000333.SZ	O	58.7	90.2 (99.0)	-8.9%	53.8%	4.56 (4.74)	-3.8%	12.9
Gree Electric	000651.SZ	O	32.4	46.1 (49.0)	-5.9%	42.4%	4.64 (4.71)	-1.5%	7.0
Baijiu									
Wuliangye	000858.SZ	O	169.9	260 (266)	-2.3%	53.0%	6.94 (7.04)	-1.4%	24.5
Shanxi Fen Wine	600809.SS	N	265.7	286 (296)	-3.4%	7.6%	6.14 (6.29)	-2.4%	43.3
E-Cigarettes									
Smoores	6969.HK	O	18.5	24.7 (30.2)	-18.2%	33.8%	0.71 (0.72)	-1.6%	21.2

Note: Price as of 15-Apr-2022. O = Outperform, N = Neutral, U = Underperform.

Source: Company data, Credit Suisse estimates

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Shanghai lockdown and its ripple effect (part 2) – quantifying the impact on consumer sector

On-the-ground reality check and policy development

Including Shanghai, at least 28 large and medium-sized cities in China have announced lockdown measures since late March, which contributed to ~16.0% of national total retail sales in China last year. Our on-the-ground observation in Shanghai found foot traffic of offline retail severely dropped since mid-March. Though easing arrangements by stages in Shanghai have been announced, the city's offline activities remain largely muted, while e-commerce and food delivery are still struggling with logistic and capability challenges. We believe the control measures imposed have put both online and offline consumption on a downward spiral, and we see the consumer sector as being at major risk if the prolonged pandemic and further tightening continue across China. At the same time, we note the proactive stance taken by the government to shoot for consumption recovery via multiple stimulus measures.

Areas that contributed to 12.6% of national population, 15.8% of national GDP and 22.2% of exports in 2021 are in full or partial lockdown.

CQi survey confirms...

The control measures have resulted in a negative outlook and sentiment across the board, including both employers and households. Findings from a CQi survey supports our concerns, namely a gloomy employment outlook, a deteriorating household income outlook and consumption sentiment. Service firms have weak hiring plans, reflecting soft household consumption in 2Q22. Consumers are facing a double-dip in both disposable income and income expectation, which undermines their willingness to spend money.

Saving is the preferred option over discretionary spending.

Hit almost everywhere

Our channel check demonstrates incremental impacts in April are of concern, following visible downward trends in March. As of mid-April, sectors with expanded decline from last month include catering, sportswear, aesthetics, as well as certain condiment and home appliance – catering sector's SSS recovery at approximately 60-80% in March 2022, which further lowered in April; sportswear's demand growth slowed down significantly in the second half of March, with some brands experiencing negative growth into April; while aesthetics companies' revenue in March and 1H of April is largely erased. For home appliance, we found monthly sales decline improved in the second week of April from March, with refrigerator outperforming air-conditioners and washing machines.

Catering, condiment, sportswear, aesthetics, air-conditioners, washing machines take the biggest hit.

We believe refrigerators serving the stay-home purpose shall remain relatively defensive. We expect the rest of the consumer sector to remain exposed to the lockdown, especially those with high-exposure to tier 1 cities, offline retail, and logistics bottlenecks. We expect a moderate rebound in consumption to take place during the upcoming Labour Holiday if control measures are lifted in time.

Earnings revision and stock picks

We reviewed earnings, price targets and ratings across the sector to reflect a more bearish earnings outlook given the pause in consumption. In particular, we lowered FY22 EPS forecast for catering companies by 11% to 31%, while Haitian/Anta/Li Ning/Proya also have notable revisions of -6.0%/-12.2%/-5.5%/-5.2%. We lower price targets across our coverage, and downgrade Haitian to NEUTRAL from OUTPERFORM. We see Haier as a defensive play in this difficult time on the back of healthy exposure to refrigerators (32% of revenue in 2021).

Haier is more defensive.

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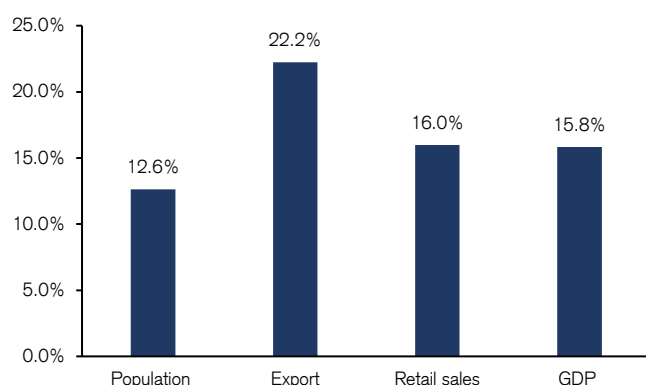
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On-the-ground reality check and policy development

While there are positive developments in Shanghai, where lockdowns are being lifted by stages, we cannot rule out the possibility of Omicron spreading out to the Yangtze River Delta (YRD) in the neighbourhood. More importantly, Shanghai is not the only city to have announced full lockdown measures. At least 28 large and medium-sized cities in China have announced lockdown measures including full-lockdown (全域静态管理) and partial lockdown (城区静态管理/封控管理) since late March, mainly in the Yangtze River Delta affected by Shanghai and Northeast China impacted by Jilin's pandemic, according to local media report (link?). The 28 cities contributed about 12.6% of national population, 15.8% of national GDP and 22.2% of exports in 2021, given that YRD is China's largest manufacturing hub.

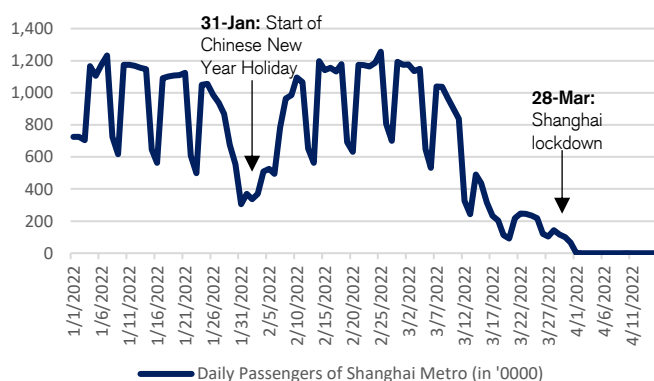
Moreover, the 28 cities also contributed about 16.0% of national total retail sales, as YRD is also the region with the greatest consumption potential in China. The real impact could be larger than the figures suggested above, as logistics and supply chain are under increasing pressure because of escalated restriction measures. We believe the control measures imposed [have put both online and offline consumption on a downward spiral](#), and we see the consumer sector as being at significant risk if the prolonged pandemic and further tightening continue across China.

Figure 9: Contribution to the country by the 28 cities currently under lockdown



Source: State Council, local media, Credit Suisse

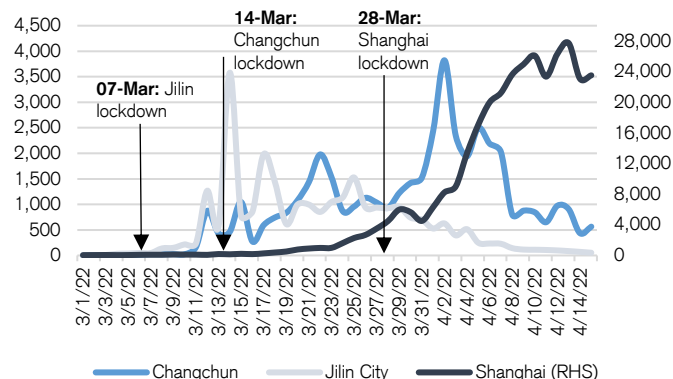
Figure 11: Commuters slide since mid-March after lockdown imposed in Shanghai



Note: Data as of 16-Apr-2022.

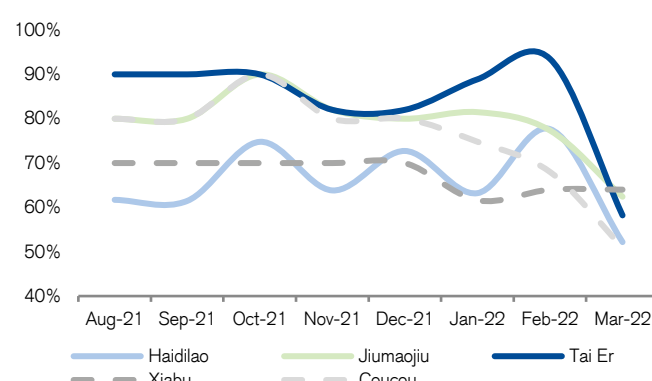
Source: Shanghai Metro

Figure 10: Covid-19 cases after lockdown imposed in Jilin City, Changchun and Shanghai



Note: Covid-19 data is based on local symptomatic + asymptomatic cases. Data as of 16-Apr-2022. Source: CCTV news reports

Figure 12: Recovery rate of SSS/table turn vs 2019 trended down in March



Note: Overall table turn recovery for Haidilao and SSS recovery for other brands.

Source: Company data, Credit Suisse estimates

Starting from early March, Covid-19 outbreaks in Shanghai and lockdowns were imposed gradually across the city on estates that reported positive cases. We observed a significant hit on foot traffic on the street since mid-March, and witnessed a significant drop in daily commuters as reported by Shanghai Metro (from an daily average of 8.94mn in January and February 2022 to 1.88mn in 2H of March 2022). Traffic dropped further with the lockdown of the Pudong area from 28 March, and was completely mute after the lockdown imposed on Puxi since 31 March. Both offline retail and catering sectors have been severely impacted as a consequence.

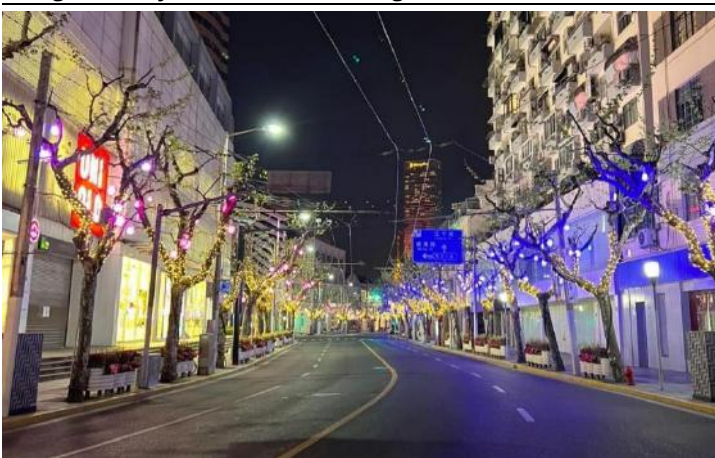
Figure 13: Very light foot traffic on a high-end mall in Jingan district on a Sunday evening in mid-March



Note: Photo taken at 18:49 on 13-Mar-2022. Source: Credit Suisse

On 11 April, the Shanghai government announced partial easing of the lockdown, in which residents in neighbourhoods with no positive case on a two-week consecutive period were allowed to go back on the streets, but within their own designated districts. All public transport (including metro and ride hailing services) remain halted, as well as shopping malls and dine-in services. Our research team had a brief tour in Jingan District (downtown of Shanghai) on day 1, day 2 and day 4 to witness the on-the-ground activities post the lifting of restrictions.

Figure 15: Empty street of Nanjing West Road in Jingan District at night of Day 1 of lockdown lifting



Note: Photo taken at 21:20 on 11-Apr-2022. Source: Credit Suisse

Figure 14: Vacant train seat on Shanghai metro on the evening of a working day before the complete lockdown of the city



Note: Photo taken at 19:56 on 31-Mar-2022. Source: Credit Suisse

Figure 16: Citizens heavily relied on limited delivery capacity with a minimal number of opened restaurants on Day 2



Note: Photo taken at 17:17 on 12-Apr-2022. Source: Credit Suisse

Figure 17: Nanjing West Road in Jingan District remains empty at noon of Day 4 of lockdown lifting...



Note: Photo taken at 12:50 on 14-Apr-2022. Source: Credit Suisse

Figure 18: ...most of the catering outlets are closed as supplies and staff remain largely restricted...



Note: Photo taken at 12:55 on 14-Apr-2022. Source: Credit Suisse

Figure 19: ...offline retail stays muted as shops are closed still, including Uniqlo...



Note: Photo taken at 12:53 on 14-Apr-2022. Source: Credit Suisse

Figure 20: ...and Sephora, with no confirmed date to resume business

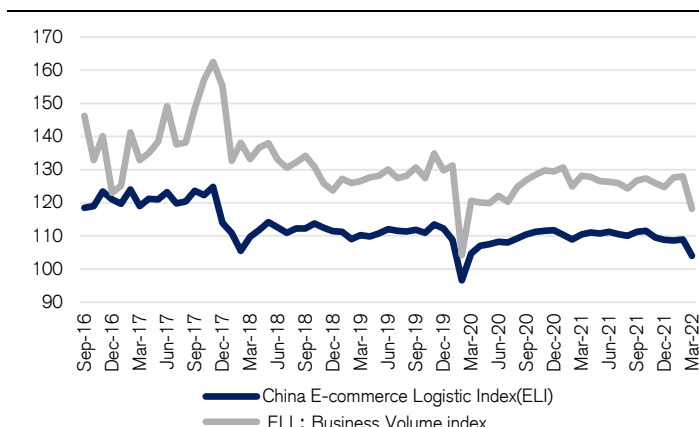


Note: Photo taken at 12:54 on 14-Apr-2022. Source: Credit Suisse

Online e-commerce also recorded a hit in March given the slowdown of logistic with highways blocked and trucks halted. The E-commerce Logistics Index declined to 104 in March vs 108.9 in February. Based on listed companies' data, express delivery volume is still trending down, with >25% in Jan-Feb to low-single-digit growth in March and single digit decline month to date in April. For the general express delivery industry level, performance is slightly worse, with 20% YoY growth in Jan-Feb, low-single-digit decline in March and probably low-teens decline month to date.

Food delivery remains a bright spot as it serves the necessity of citizens, though the volume in Shanghai is at an incomparable level versus normal time, due to the limited number of riders and road blocks across the city. For food delivery, volume trend is the high-teens in Jan-Feb, low-teens for March and probably high-single-digit in April. According to Meituan, visibility of recovery in Shanghai remains low given quite a strict lockdown despite the recent gradual re-opening. If an increasing number of cities are adopting stricter measures to prevent outbreaks, the situation should continue to weaken sequentially in April from March. Dingdong is seeing lower volume into April as there are more warehouse lockdowns and rider shortage. For JD, delivery slightly improved over the past weekend but worsened this week, with orders originally scheduled for the 11th/12th delayed to later than 20th, as a major warehouse in Shanghai shut down and they are also experiencing rider shortage.

Figure 21: China E-commerce Logistics Index (ELI)



Source: Wind

Figure 23: Certain products on Taobao are still unable to be ordered by/delivered into Shanghai



Note: Screen-capped at 19:29 on 14-Apr-2022. Source: Taobao

On the government policy front, the State Council released positive signals on 13 April with a series of policies aiming to stabilize consumption to be implemented. Catering, retail, travel, aviation and logistic sectors are the focussed pain-points, alongside the stabilization of the prices of necessities. The government will also encourage emerging O2O consumption, as well as facilitate multiple services sectors on healthcare, elder care, and child care. Auto, white-goods, and rural consumption will also be supported by loosening measures and further penetration of e-commerce. We believe such policies will lay a solid foundation for consumption recovery as the Covid-19 overhang is removed, and we also expect China to take more stimulus measures such as consumption voucher schemes to boost household consumption. The latest round of vouchers and promotions in Beijing and Shenzhen is a good example.

Figure 22: Difficulties in groceries ordering on Dingdong given the limited number of riders are fully booked



Note: Screen-capped at 07:29 on 9-Apr-2022. Source: Dingdong

Figure 24: Orders of goods from JD's 1P store are experiencing delivery delay



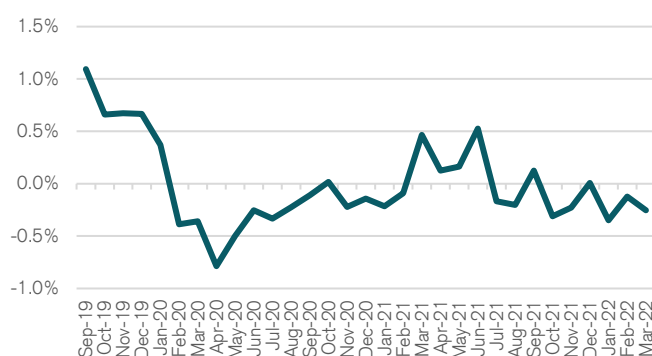
Note: Screen-capped at 19:27 on 14-Apr-2022. Source: JD

CQi survey confirms...

On top of collapsing online and offline consumption as a result of control measures in Shanghai, the lockdown has brought some ripple effects to consumption to the country, as Shanghai is the hub of China's financial, commercial, trade, transportation, fashion and tourism activities. We think the muted economic activities in Shanghai had a negative impact on employment, personal income and consumption sentiment across YRD, while consumers in the rest of the country may control their spending and prepare for potential lockdown as country-wide Covid-19 cases continue to rise.

According to a Credit Suisse [CQi survey](#), Covid-19 restrictions resulted in negative impact on industrial production across the manufacturing, services, materials and NEV panels. Panelists predict downstream demand will weaken in the near future as the virus and lockdown measures are expected to spread.

Figure 25: CQi Composite Employment Trends Index



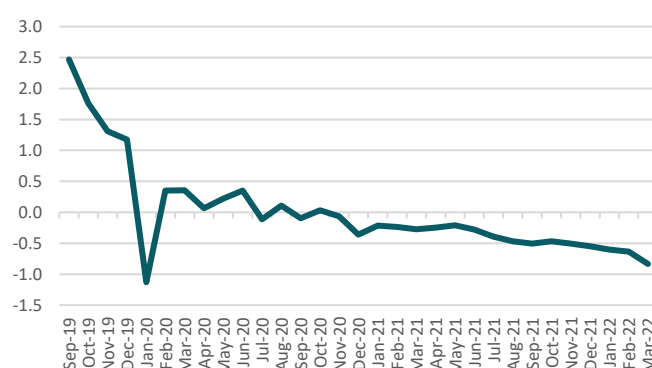
Note: The four components aggregated into the CQi Composite Employment Trends Index are: (1) unskilled and skilled wage growth at SMEs in manufacturing and services; (2) % of SMEs that respond "hiring difficulty has increased" in manufacturing and services; (3) % of households that respond "it'll be harder to find a new job" for them; and (4) % of households that expect the business conditions of their employers to be better in 12 months' time. (1) and (2) are from CQi's SME survey and (3) and (4) are from the consumer survey. The level of the index does not have an economic interpretation and is set to average zero. A higher index represents stronger labour market conditions over the last month and vice versa.

Source: CQi surveys. CQi is a product of Credit Suisse APAC Equities and not part of Credit Suisse Equity Research

The CQi Composite Employment Trends Index reflects employment conditions in China continue to weaken given a loosening in the labour market faced by employers in the service sector, and the deterioration in households' views on the job market and their employers' business conditions. CQi also found service firms have weak hiring plans, reflecting soft household consumption in 2Q.

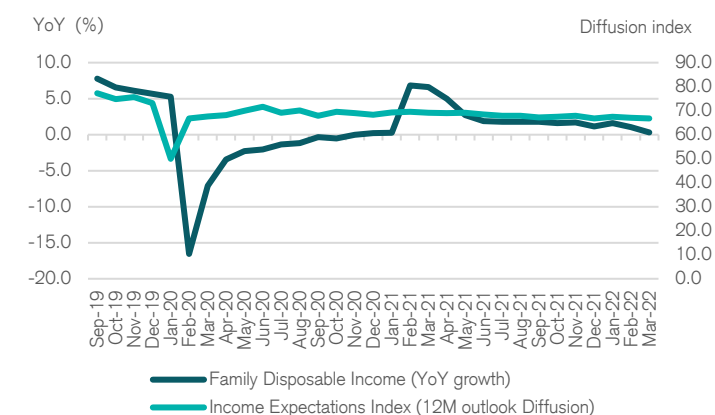
The CQi-tracked households' 12M outlook on their financial conditions also further deteriorated in March. They were less optimistic about their income growth and their families' financial conditions than the previous month. They were also less willing to spend money, though their willingness to purchase big-ticket items in the near term was almost the same as in February.

Figure 26: CQi Composite Consumer Outlook Index



Source: Note: The five components aggregated into the CQi Composite Consumer Outlook Index are: (1) You expect your family's disposable income will ___ in 12 months, compared with the current level (DI); (2) You expect your family's financial conditions will be ___ in a year compared to now (DI); (3) % of households that prefer to spend more to enjoy life now; (4) % of households that have plans to purchase big-ticket items in the next six months; and (5) outlook on household debt level next year (DI). All of them are from CQi's consumer surveys. The level of the index does not have an economic interpretation and is set to average zero. A higher index represents stronger consumer outlook over the last month and vice versa.

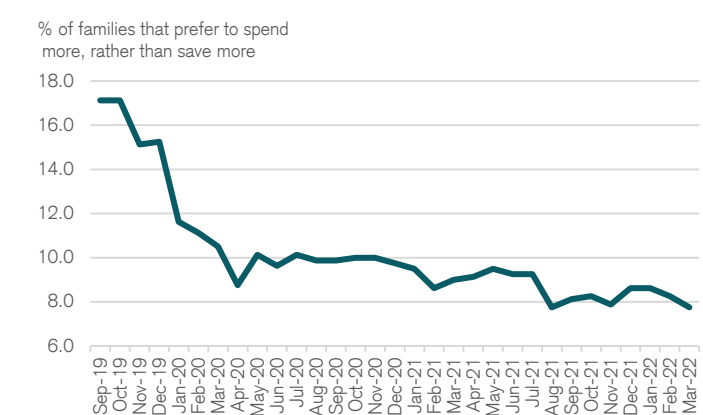
Source: CQi surveys. CQi is a product of Credit Suisse APAC Equities and not part of Credit Suisse Equity Research

Figure 27: Average YoY growth of household disposable income and CQi Income Expectation Index (12M outlook)

Note: The CQi Income Expectations Index is a diffusion index based on answers to the question "You expect your family's disposable income will increase/stay the same/decrease in 12 months, compared with the current level." The index = percentage of increase + percentage of "stay the same" * 0.5. A read over 50 means more consumers on the panel are positive about their future family income. Source: CQi surveys. CQi is a product of Credit Suisse APAC Equities and not part of Credit Suisse Equity Research

The CQi consumer panel's YoY disposable income growth slowed further to 0.3% in March, and their income expectation also dipped, with the Omicron outbreaks in China. The weakening signal follows a downward trend since inception of this year. With this backdrop, some respondents told CQi that they may reduce discretionary spending. A higher share prefer to save money than that preferring to spend more.

The negative sentiment by Chinese consumers is reflected by their weak investment motivation on property, echoed by their interest in investing in stocks turning south again, based on the findings by CQi.

Figure 28: Spending propensity— % of families that prefer to spend more, rather than save more

Source: Wind

Hit almost everywhere

Given the downward trend on both employment and consumption, and the adverse impact across offline and online consumer sectors, we have conducted an on-the-ground channel check to assess the impact of the extended lockdown on our consumer coverage, and found the incremental impacts in April are concerning, following visible downward trends in March.

Labour Holiday is a next timeline to watch out for. We expect moderate rebound in consumption if control measures are lifted in time; however, Omicron will likely remain an overhang to the overall business and consumer outlook in China in the near-term. We have revised earnings estimates, price targets and ratings of covered companies accordingly.

Figure 29: Incremental changes in April are concerning

Sector	Channel check findings	Estimate revisions
Catering	SSS recovery at approximately 60-80% in March 2022, which further lowered in April.	Cut FY22 sector net profits estimates by 11-31%.
Condiment	Certain condiment companies' revenue was down 20% or greater for March.	Cut FY22 sector sales forecast by 5%.
Sportswear	Demand growth slowed down significantly in the second half of March, some brands are seeing negative growth into April.	Cut FY22 revenue estimates by 6%/4% for Anta & Li Ning.
Aesthetics	Revenue in March and 1H of April is largely erased.	Cut FY22 earnings estimates by 2% for Angelalign and Haohai.
Home appliance	Monthly sale decline improved in second week of April from March, with refrigerator outperforming air-conditioner & washing machine	Lower FY22 white goods domestic shipment growth forecast to 1.9% from 3.6%.
Cosmetics	Online sales have declined further to -19% YoY in March from -5% in Feb.	Expect a MSD revenue growth impact for FY22, with margin under pressure in 2Q.
Baijiu	Channel inventory now ranges from 0.5 month to 2.5 months across brands, generally higher than the historical average.	Lower FY22 sector sales volume forecast by MSD.
E-cigarette	Demand held up in Jan and Feb, overall growth slowed down in March and persisted into April.	Tweak Smoore's revenue downwards slightly by 1% and net income by 2% to reflect lower demand and margin pressures.

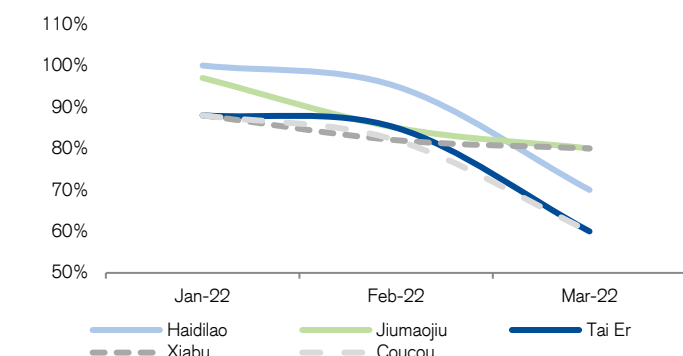
Source: Company data, Credit Suisse estimates

Catering: severely disrupted by the tightening measures

Channel check findings: locked down

The severe Covid-19 outbreaks and tightened control measures have put catering consumption on a downward spiral since March. Our channel check suggests a persistently weak recovery trend among major players YTD, which has deteriorated in the past one month due to regional lockdown in Shenzhen, Shanghai and some other cities. Overall, major catering companies' SSS recovery was approximately 60-80% in March 2022 versus the same period in 2021, significantly lower than the 80-100% YoY recovery rate in January and February 2022.

The year-on-year recovery by brand may not show the full picture due to divergent performance of different brands in the previous year. While comparing major brands' SSS/table turn in March 2022 versus pre-Covid, the recovery rates ranged 50-60%, the lowest level since the Covid-19 outbreak in early-2020.

Figure 30: Recovery rate of SSS/table turn vs 2021 trended down in March

Note: Same store table turn recovery for Haidilao and SSS recovery for other brands. Source: Company data, Credit Suisse estimates

In April, the overall recovery rate will be lower than March due to tightened and extended pandemic control, especially in Shanghai. Looking at major brands' exposure to Shanghai by store counts, it is approximately mid-single-digit for Haidilao/KFC/Pizza Hut/Xiabu Xiabu, and low to mid-teens for Tai Er/Coucou. In Tai Er's case, the number of stores suspended operation or provided only off-premise services was below 70 stores in late March as Shenzhen lifted control, but climbed to around 80 stores in early April due to the Shanghai lockdown. In Haidilao's case, the average table turn might approach 2x in April (versus breakeven of 3x) if the lockdown is not lifted.

Near term impact: struggling to remain profitable

While March to April is the normal weak season for catering companies, the recent lockdown has translated into direct loss of revenue for one week in Shenzhen and almost one month in Shanghai. In Shenzhen, we have seen gradual dining demand recovery post lifting of lockdown, but customer traffic has not yet recovered to its normal level. In Shanghai, if the situation does not improve in May, it will further take away sales during the Labour Day Holiday. Relatively speaking, brands focussing on high-tier cities with large exposure to Shanghai and Shenzhen were more impacted in March/April due to major outbreaks and lockdowns in these two cities, while brands with broader network and more balanced exposure were less disrupted this round. The loss in sales would then translate into operating deleverage and margin pressure for all catering companies. We sense most catering companies would be close to breakeven or loss-making in March and April, while a meaningful recovery may wait until 2H22 to come.

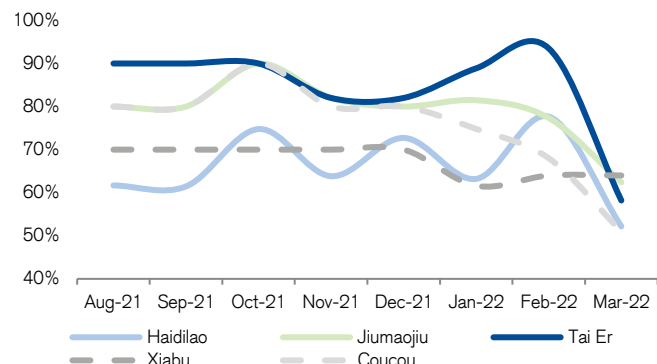
Company estimate changes

Considering the impact from recent pandemic resurgence and the potential lingering effect in the rest of 2022, we cut catering companies' FY22 net profits estimates by 11-31%. Defensive names are preferred over high-growth names. We think Yum China is relatively better positioned in China's catering sector, as its well established branding, resilient business model and undemanding valuation provide better risk-reward in such a disruptive market. Our pecking order: Yum China, Jiumaojiu, Xiabu Xiabu, and Haidilao.

Figure 32: Catering companies' estimate changes

Company	Ticker	Rating (prev.)	Current Price	Target price (prev.)	TP change (%)	Up/downside (%)	2022E EPS (prev.)	2022E EPS (% change)	2022E P/E (x)
Yum China	YUMC.N	O	41.84	58.0	-	38.6%	1.44 (1.69)	-14.6%	29.1
Haidilao	6862.HK	N	16.16	16.5 (14.5)	13.8%	2.1%	0.15 (0.22)	-30.9%	85.9
Jiumaojiu	9922.HK	O	16.7	21.0	-	25.7%	0.31 (0.35)	-11.4%	44.0
Xiabu Xiabu	0520.HK	O	3.92	5.0	-	27.6%	0.07 (0.09)	-29.0%	48.6

Note: Priced as of 15-Apr-2022. O = Outperform, N = Neutral. Source: Company data, Credit Suisse estimates

Figure 31: Recovery rate of SSS/table turn vs 2019 trended down in March

Note: Overall table turn recovery for Haidilao and SSS recovery for other brands. Source: Company data, Credit Suisse estimates

Condiment: 2C companies less impacted

Channel check findings: weak catering but resilient household

The sector recovery slowed down entering into March, mainly due to the frozen catering demand in regions with strict lockdown measures including Shanghai, Jilin, etc. Meanwhile condiment demand for household consumption has been largely immune to this or even partially benefitted from this change. Due to demand headwinds, distributors and retailers generally tend to stay cautious about demand outlook and pre-stocking.

But logistics and delivery issues have been more or less clouding the distribution of condiments since March. Among major condiment categories, household necessities like soy sauce, edible oil, vinegar and cooking wine mostly benefit from people's longer stay at home, while compound condiments (hot pot condiments, Chinese-style compound condiments, etc.) benefit less from this change due to low consumption frequency and low priority for purchase.

Due to disappointing results in 2021, most condiment companies set relatively conservative growth targets, which range from high-single-digits to high-teens. Distributors now see some pressure in achieving 2Q growth. Inventory has stayed healthy (1.0-2.5 months) for most brands, except Haitian whose inventory now stands between 3.0 and 3.5 months.

Near term impact: from double digit growth in Jan/Feb to 20% decline in Mar

Channel checks indicate that certain condiment companies' revenue was down 20% or greater for March after double-digit growth during January-February. We estimate 1Q revenue growth of leading condiment companies to be 0-15%, and companies with lower exposure to outperform, such as Qianhe and Jonjee. Entering into April, the distributors we talked to flagged that the recovery rate for catering demand is around 60-70% now, indicating companies with greater exposure to catering may continue to suffer.

Company estimates changes

March-April represents ~14% of full-year sales, by our channel checks. We cut our 2022 sector sales forecast by 5%, mainly to reflect weaker-than-expected catering demand condiment demand for catering service.

Figure 33: Condiment sector sales forecast

China Condiment Revenue Forecast	2019	2020	2021	2022E	2023E	2024E	2025E	2020-25E CAGR
Sector revenue (Rmb bn, in ex-factory prices)	374	360	397	404	443	477	508	7.1%
Foodservice	187	158	187	178	200	220	236	8.4%
Households	112	125	128	141	153	162	171	6.5%
Food processing	75	77	82	85	90	95	101	5.6%
YoY	9.0%	-3.7%	10.5%	1.7%	9.5%	7.8%	6.4%	
Foodservice		-15%	19%	-5%	12%	10%	7%	
Households		11%	3%	10%	8%	6%	6%	
Food processing		3%	6%	4%	6%	6%	6%	
Revenue share	100%	100%	100%	100%	100%	100%	100%	
Foodservice	50%	44%	47%	44%	45%	46%	46%	
Households	30%	35%	32%	35%	34%	34%	34%	
Food processing	20%	21%	21%	21%	20%	20%	20%	
Restaurants sales (Rmb bn)	4.7	4.0	4.7	4.5	5.0	5.5	5.9	8%
YoY		-15%	19%	-5%	12%	10%	7%	
As % of restaurant sales		4%	4%	4%	4%	4%	4%	

Source: Company data, Credit Suisse estimates

We cut Haitian's 2022 earnings estimates by 6% to reflect weaker-than-expected demand and revise down DCF-based price target to Rmb96 and downgrade Haitian to NEUTRAL. Its current valuation looks relatively fair to us, to take account of short-term uncertainties in earnings but unchanged competition advantage over peers.

We keep our 2022 earnings estimates for Qianhe, Jonjee and Hengshun unchanged as net impact from the pandemic remains manageable for now given their low revenue exposure to catering demand.

Figure 34: Condiment company estimates changes

Company	Ticker	Rating (prev.)	Current price	Target price (prev.)	TP change (%)	Up/downside (%)	2022E EPS (prev.)	2022E EPS (% change)	2022E P/E (x)
Haitian	603288.SS	N (O)	90.4	96.0 (128.0)	-25.0%	6.2%	1.73 (1.84)	-6.3%	52.4

Note: Priced as of 15-Apr-2022. O = Outperform, N = Neutral.

Source: Company data, Credit Suisse estimates

Sportswear: rest stop before running again

Channel check findings: high-end brands more exposed

The degree of lockdown impact varies across brands depending on their price positioning. Demand has generally held up well in the first two months of the year but growth slowed down significantly in the second half of March and some brands are seeing negative growth into April. Pousheng reported a 43% YoY decline in March, partially reflecting the challenges of the lockdown.

In particular the Shanghai lockdown will likely mean at least a month of loss revenue with more impact on higher end brands. In our view, among the domestic brands, Li Ning is likely to have the highest exposure at ~10-15, followed by Anta (~10%) and Xtep (low-single-digits). However, Anta's brand portfolio, including the Descente, Kolon, Amer brands, are mostly in higher-tier cities and will likely see a higher impact. As such, Anta's brand portfolio is most at risk, with ~20% of stores facing disruptions from the Covid-19 lockdowns. In terms of supply chain, the impact remains limited as all domestic brands do not have apparel/footwear factories in Shanghai.

Near term impact: double hit by revenue loss and supply chain disruptions

The most direct impact would be demand pressure leading to heavy discounts to make up for the revenue loss. Management guidance in early-Apr has largely taken the view that the lockdowns will start to ease or end by end-Apr to early-May. Should lockdowns persist into May, we believe that management would need to revisit their earlier guidance, leading to downside earnings risk. Moreover, we have started to see cases in Fujian region where there are factories by domestic brands, posing risk to supply chain disruptions. We take the cautious view that lockdowns are likely to persist into May and therefore we believe that industry revenue growth is likely to be lowered by mid-single-digit to high-single-digit.

Sportswear brands have depended on increasing pricing to drive growth through improved product mix and new SKU launch, which will pose a challenge in the current environment. Coupled with rising raw materials cost and the inability to pass on to consumers given higher discount levels, margin risk could be to the downside. We have previously lowered our earnings estimates on Shenzhou, China's largest apparel OEM player but believe brands are likely to face margin pressures in the near term as well. Anta reported a high-teens growth for core brand and a mid-single-digit growth for Fila while we expect Li Ning to report a 30-35% growth in 1Q22.

Figure 35: Sportswear quarterly growth

Retail sales YoY	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2022E
Anta										
Anta branded	-20-25%	-LSD	+LSD	+LSD	40-45%	35-40%	low-teens	mid-teens	high-teens	-LSD
Anta overall offline	-20-25%	-low teens	- single digits	-MSD	35-40%	30-35%	HSD	low-teens	low-teens	
Anta adult offline	-20-25%	- LDD		+LSD	35-40%	30-35%	HSD	MSD	low-teens	
Anta kids offline	-20-25%	- MSD		+LSD	45-50%	25-30%	MSD	MDD	mid-teens	
Anta EC	+MSD	40%+	50%+	25%+	60-65%	45-50%	25-30%	30-35%	35-40%	
Fila	-MSD	+LDD	20-25%	25-30%	75-80%	30-35%	MSD	HSD	MSD	-MSD to -HSD
Fila online						45-50%	20-25%	>30%	HSD	
Fila offline						20-25%	LSD	LSD	LSD	
Fila Classic						20-25%	LSD	LSD	LSD	
Fila Fusion						80-85%	mid-teens	low-teens	20%	
Fila Kids						40-45%	low-teens	mid-teens	mid-teens	
Li Ning										
Sell-through	-HDD	-MSD	+MSD	+MDD	+high 80s	+low 90s	+low 40s	+low 30s	+30-35%	-5% to -10%
Retail	-mid 30s	-LDD	Flat	+MSD	+low 90s	+high 80s	+mid 30s	+high 20s		
Wholesale	-HDD	-HSD	-LSD	+LDD	+low 80s	+low 90s	+high 30s	+high 20s		
eCommerce	+low-teens	+high 20s	+low 40s	+mid 30s	+100%	+high 90s	+mid 50s	+low 40s		
Xtep										
Retail sale through	-20-25%	-LSD	+MSD	+HSD	~55%	30-35%	mid-teens	20-25%	30-35%	LSD-MSD

Source: Company data, Credit Suisse estimates

Company estimate changes

For Anta, after >20% YoY growth in 2M22, Fila saw 30-40% YoY decline in Covid-impacted regions and 20% YoY decline nationwide in March. We now expect Anta core/Fila to deliver 16%/5% YoY growth in 2022, and cut FY22-23 revenue by 2-6% to factor in the weaker demand in the short term. Given the weak consumption environment, we expect 2022E OPM to be similar to 2021 levels and cut FY22-23E EPS by 9-12%. We expect Anta to continue investing in brand and R&D amid a more challenging cost control environment, with a eye on long-term growth.

For Li Ning, given its more premium branding and its high base effect in 2Q, we lower our revenue estimates by 4% to reflect the current trading environment. We note that discounts have widened during March/April to drive revenue growth. Longer term we are still supportive of the growth story but lower our margin estimates slightly in 2022. As such, we cut EPS by 6%.

Figure 36: Sportswear company estimates changes

Company	Ticker	Rating (prev.)	Current Price	Target price (prev.)	TP change (%)	Up/downside (%)	2022E EPS (prev.)	2022E EPS (% change)	2022E P/E
Anta	2020.HK	O	93.1	130.0 (145.0)	-10.3%	39.6%	3.21 (3.66)	-12.2%	23.5
Li Ning	2331.HK	O	64.0	88.0 (92.0)	-4.3%	37.6%	1.83 (1.94)	-5.5%	28.4

Note: Priced as of 15-Apr-2022. O = Outperform.

Source: Company data, Credit Suisse estimates

Cosmetics: online channel remains key for recovery

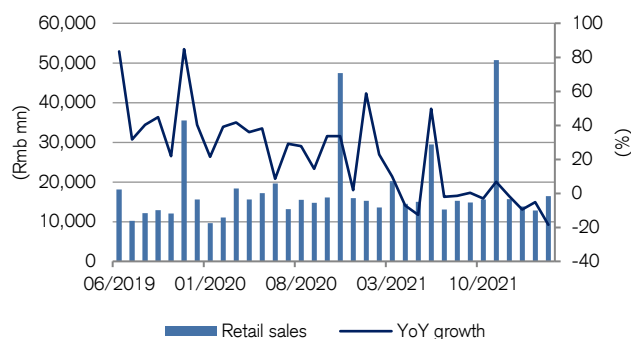
Channel check findings: local brands are better off

Most of the domestic brands under our coverage are mass market and hence exposure to high tier cities remains fairly limited. Offline store coverage in Shanghai remains lower and the majority of stores are in lower tier cities. Luxury brands have been impacted more given the larger store size in higher tier cities and are at risk of deleveraging.

For cosmetics companies, online makes up roughly >50% of total sales. Our online data tracker suggests that beauty and skincare online sales have declined further to -19% YoY in March from -5% in Feb. Sales of makeup, perfume and beauty tool declined 25% YoY, sliding from

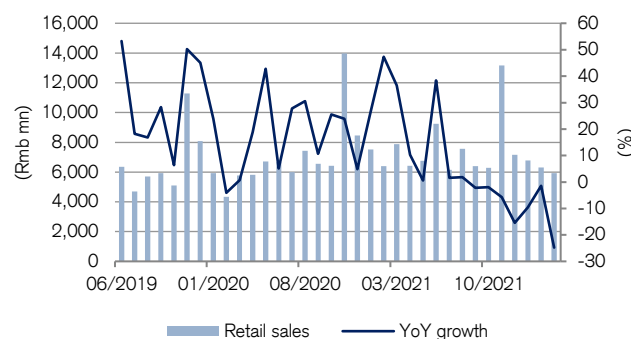
-1% YoY in Feb. While specifically, we expect fairly limited impact from the Shanghai lockdown, overall dampened consumer sentiment is likely to impact demand for the sector.

Figure 37: Skin and body care retail sales growth



Note: Moojing, Credit Suisse

Figure 38: Make-up, perfume and beauty tools



Note: Moojing, Credit Suisse

Near term impact: skincare to outperform make-up and perfume

Since 2H21, cosmetics industry demand has been lacklustre and that trend has continued into 1Q22, underpinned by a sluggish overall economy and consumers previously front-loading demand due to steep discounts. Given the lockdowns, the impact to make-up and the perfume category will continue to be more severe and we believe skincare category will outperform. Overall, we expect the industry to see a mid-single-digit revenue growth impact, particularly for brands with higher growth outlook previously. June with 618 promotion season marks an important consumption for cosmetics brands and should the lockdown extend even further into June, we expect the impact to be even more severe.

Increasing ASP in this environment will prove to be challenging given logistics issues for delivery and brands will have to push back their premiumisation strategy. Live streaming channels, which have been a major driver of revenue growth have not helped online growth given that consumer focus during the lockdown has been tilted towards stocking up food supplies. We expect to see potential margin pressure for cosmetics companies in 2Q22.

Company estimate changes

For Proya, we were previously more optimistic for the revenue growth (20% YoY vs peers at 10-15%) outlook given its superior online execution and brand growth momentum. However, given the lockdowns and reduction in spending, we believe make-up segment growth will be impacted and lower our revenue growth estimates. Overall, we lower revenue growth forecast by 5 pp and expect a 15% revenue growth in 2022, leading to a 5% EPS cut.

Figure 39: Cosmetics company estimates changes

Company	Ticker	Rating (prev.)	Current price	Target price (prev.)	TP change (%)	Up/downside (%)	2022E EPS (prev.)	2022E EPS (% change)	2022E P/E (x)
Proya	603605.SS	O	184.1	225.0 (251.0)	-10.4%	22.2%	3.45 (3.63)	-5.2%	53.4

Note: Priced as of 15-Apr-2022. O = Outperform.

Source: Company data, Credit Suisse estimates

Aesthetics: consumption sentiment on a downward spiral

Channel check findings: sales in Mar and Apr so far largely erased

Yangtze River Delta is one of the biggest markets for aesthetics, including HA filler, botox and clear aligners. Due to the temporary shutdown of aesthetic clinics and dental clinics, the end demand is being delayed. Revenue in March and 1H of April was largely erased. In normal circumstances, clinics start to procure HA fillers and botox in April to be prepared for the promotion and peak season of the Labour Day holiday.

For clear aligners, Angelalign achieved 20% YoY shipment growth in 2M22 followed by a YoY decline in March, according to management. We estimate 8% YoY decline in March, which made 1Q22 shipment growth of 5% YoY. Judging from the current situation, it is not very likely to see a turnaround in April. We estimate 10% YoY shipment decline in April, slightly widening from March. Assuming things gradually settle down in May-Jun and considering pent-up demand, we estimate 2Q22 shipment to be 6% YoY, at a similar level to 1Q22.

Figure 40: Angelalign's shipment trend YoY changes

2022	Jan-Feb	Mar	1Q	Apr	May-Jun	2Q	3Q	4Q
Shipment	20%	-8%	5%	-10%	25%	6%	23%	32%

Source: Company data, Credit Suisse estimates

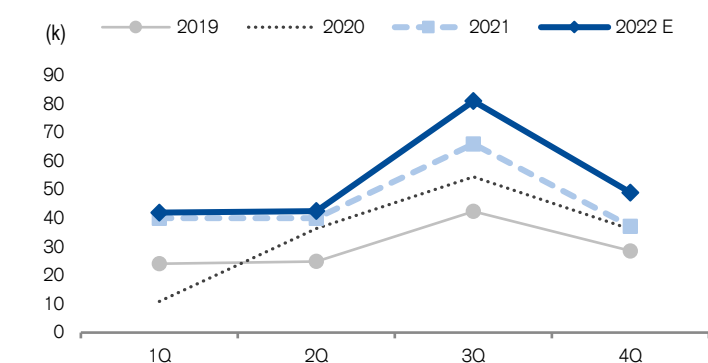
Near term impact: increasing pressure on price with big ticket size at higher risk

Upstream aesthetics and clear aligner companies may find continuous sell-in pressure due to the lockdown and suspension of clinics. If the shutdown extends to late-April to May, demand might be further delayed and downstream clinics will be reluctant to purchase more given the inventory build-up in 2Q22. In addition, the extended lockdown will also put huge pressure on SMEs in the aesthetics sector; therefore we might see a portion of such SMEs being squeezed out of the industry during lockdown or after restrictions are eased.

Covid-19 resurgence and lockdowns may broadly accelerate the price decline trend of the industry in 2022. After easing of the strict restrictions, along with a possible sales turnaround in 2H22, there might be a high possibility of a price war in the peak season for clear aligners and HA fillers. This, we believe, will lay pressure on ASP and gross margins.

- **HA fillers and botox:** The national day holiday in Oct is key for aesthetics, based on normal seasonality. During peak season, the average industry price might further drop or decline at a faster-than-expected pace, driven by fierce competition for market share. For non-differentiated and mid-to-low-end HA fillers, it might be more brutal.
- **Clear aligners:** Summer vacation (July-August) used to be the peak for the clear aligner industry, and we may see an upgrade in sales campaigns this year, e.g. buy-10-get-3 for free (from getting 1 or 2 for free previously) or a higher rebate. Moreover, surging logistics costs and other ad hoc expenses during the lockdown may also weigh on margins, aside from top line pressure.

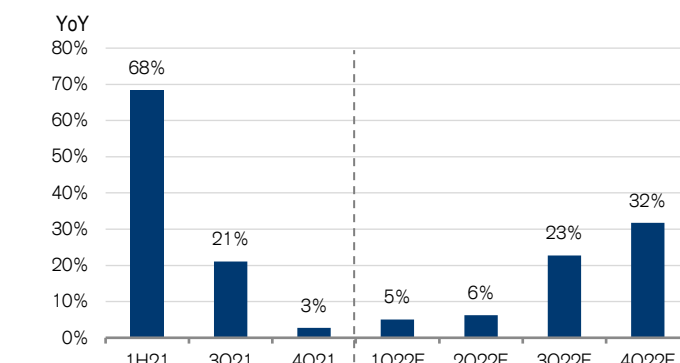
Figure 41: Angelalign—quarterly shipment estimates



Source: Company data, Credit Suisse estimates

From an individual's perspective, demand might be partly delayed and partly vanished due to worsening economic conditions and purchasing power of certain groups. Consumers might turn more bearish on job security and the outlook for disposable income, and hence tighten their belts. The higher the ticket size, the more vulnerable. Among the categories that we cover, clear aligners rank at the top (average ticket size ~Rmb30k), followed by OK lenses (Rmb5-20k), and botox and fillers (Rmb3-8k).

Figure 42: Angelalign—shipment growth forecast



Source: Company data, Credit Suisse estimates

Company estimate changes

For Angelalign, we estimate April volume sales to stay in negative territory, and trim our 2022 shipment target by 1%. Meanwhile, since 3Q is the peak season, and given the company is looking to defend market share, we expect it to come up with a more aggressive sales campaign as a remedy. As such, we revise down ASP assumption by 2%. 2022 EPS is hence revised down by 2%.

For Haohai, HA fillers and OK lenses are subject to the operation status and resumption timing of medical clinics. Besides, high-end products are more sensitive to consumption sentiment. As such, we cut ophthalmology and HA fillers revenue forecast by 2% and 4% for 2022, respectively. Overall revenue is down by 2%, and EPS is hence revised down by 2%.

Figure 43: Aesthetics company estimates changes

Company	Ticker	Rating (prev.)	Current price	Target price (prev.)	TP change (%)	Up/downside (%)	2022E EPS (prev.)	2022E EPS (% change)	2022E P/E (x)
Angelalign	6699.HK	U	123.5	108.0 (117.0)	-7.7%	-12.6%	2.07 (2.14)	-1.7%	48.4
Haohai (H)	6826.HK	N	38.7	39.0 (40.0)	-2.5%	0.0%	2.54 (2.58)	-1.7%	12.4
Haohai (A)	688366.SS	N	85.5	89.0 (101.0)	-11.9%	4.1g%	2.54 (2.58)	-1.7%	33.7

Note: Prices as of 15-Apr-2022. N = Neutral, U = Underperform.

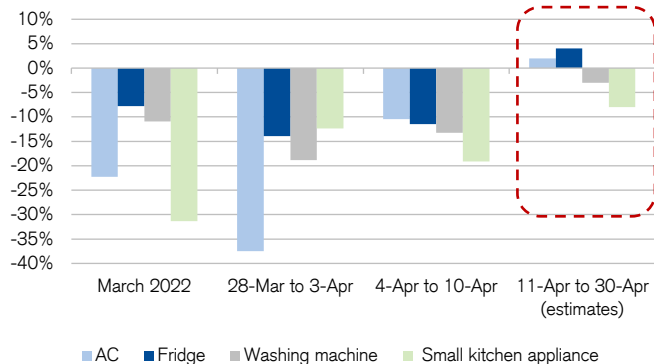
Source: Company data, Credit Suisse estimates

Home appliance: refrigerator as the most defensive category

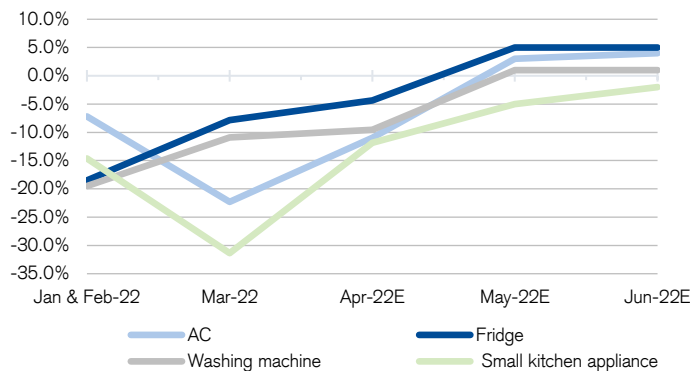
Channel check findings: refrigerator outperforming air-con/washing machine/small appliance

While there is negligent impact on production capacity so far, the fierce pandemic resurgence in Shanghai and its spillover effects in the Yangtze River Delta, Guangzhou and the rest of China have significantly wiped off offline foot traffic and also disrupted the logistics for online orders. Air conditioners that have installation requirements suffer most, followed by replacement demand driven categories such as washing machine (WM).

- Monthly sales for March declined by 22%/11% YoY for air-con/WM, while refrigerator was more resilient, down 8% YoY. Sales in the week of 28 March to 3 April posted an expanded decline of 37%/19%/14% YoY for air-con/WM/refrigerator, followed by a moderated decline of 10%/13%/11% YoY in the week of 4-10 April.
- Price hike is the main story for AC in 2022, given the raw material price swinging at a high level and a more benign competition landscape. 1Q22 air-con ASP was up by 10% YoY; however, Week 2 in April recorded -1% YoY due to price discounts amid the lockdown and sluggish offline foot traffic. This suggests squeezed margin for offline distributors as the ex-factory price hike is still intact for AC during Jan-Apr. We expect AC distributors to be more cautious for the upcoming peak season with respect to channel restocking, which will weigh on our covered companies' sell-in performance in 2Q22.
- Our channel checks indicate small kitchen appliances retail sales in March is -30% YoY. Certain cooking appliances such as electric steam pot and air fryers started to gain momentum in Mar/Apr 2022, thanks to at-home consumption and consumers behaviour shifting to self-cooking, but we fail to observe meaningful overall improvement, with April Week1/2 sales still posted -12%/-19% YoY, given front-loaded consumption in 2020, the relatively long usage lifetime, and online delivery difficulties still being an overhang in Shanghai.

Figure 44: Refrigerator outperforming amid pandemic-driven city lockdown during Mar-Apr 2022

Source: AVC, Credit Suisse estimates

Figure 45: Upcoming Labour Day and 618 shopping festival as near-term catalysts to drive pent-up demand consumption

Source: AVC, Credit Suisse estimates

Near term impact: varied with cloudy income outlook

We reckon white goods sales decline to further narrow with a selective recovery during 11-30 April (refrigerator/air-con/WM/small appliance to achieve +4%/+2%/-3%/-8% YoY), thanks to partially released pent-up demand during the 418 home appliance festival (launched by JD.com and Suning) and the warm-up of the Labour Day holiday. Overall, during April, we expect refrigerator (-4% YoY) can outperform air-con/WM/small appliance (-11%/-10%/-12% YoY), thanks to at-home food stocking demand from residents in lockdown and neighbouring cities.

If community lockdown is lifted before May, we can reasonably expect some pent-up demand from March and April releasing during the Labour Day holiday (5%/3%/1% YoY for refrigerator/air-con/WM in May), especially given a relatively low base in 2021. However, more households may postpone their upgrade/replacement demand beyond 2022 given the current weak consumption sentiment.

Overall, we cut our estimates on 2022 full-year domestic shipments growth YoY for air-conditioner/washing machine/refrigerator by 2.2/1.6/0.8pp, with overall 2022 white goods domestic shipment growth forecast narrowing to 1.9% YoY (from 3.6% YoY). We believe refrigerators will outperform ACs/washing machines, thanks to at-home food stocking demand from residents in lockdown cities.

Company estimates changes

- Given **Gree's** higher AC exposure, we lower Gree's 2022 AC sales growth from 8.0% YoY to 5.8%, resulting in a 2022E EPS cut by 2%. For **Midea**, we trim its revenue growth by 1.0 pp, meanwhile we lower 2022E/23E OPM by 0.3/0.6pp to reflect Midea's higher-than-expected R&D ratio to support its (1) air-con price hike (ex-factory price hike up to low-teens% for certain SKUs in 1Q22, perceived as the highest price hike among AC brands, according to our channel check); (2) products mix upgrade; and (3) higher revenue contribution from high-technology B2B business, resulting 2022/23E in an EPS cut of 4%/6%.
- **Haier is our home appliance space top pick.** We reiterate our OUTPERFORM rating underpinned by: (1) its larger revenue/OP exposure to refrigerators amid recent at-home food stocking demand in China due to pandemic lockdown concerns; (2) Casarte AC sales acceleration backed by core technology enhancement, and AC OPM expansion target by 1-2pp in 2022E. We slightly trim its 2022 revenue growth by 0.9 pp hit by the recent city lockdowns, and lower 2022 GPM estimate for washing machine by 0.2pp to reflect industry-wide price hike obstacles of this category in China, resulting in the 2022E EPS being cut by 1%.

Figure 46: Sales and margin breakdown by company (2021): Haier is best poised with the largest refrigerator contribution, followed by Midea

	Haier	Midea	Gree	Supor	Joyoung	JS Global
Revenue						
Air-con	17%	41%	72%	-	-	-
Refrigerator	32%	10%	1%	-	-	-
Washing Machine	24%	10%	1%	-	-	-
(Small) kitchen/cleaning appliances	16%	19%	1%	69%	91%	95%
Others	12%	20%	25%	31%	9%	5%
Operating profit margin						
Air-con	0.9%	12.0%	17.2%	-	-	-
Refrigerator	8.1%	7.5%	MSD	-	-	-
Washing Machine	10.4%	10.0%	MSD	-	-	-
(Small) kitchen/cleaning appliances	1.8%	LSD-MSD	MSD	9.8%	5.7%	11.2%
Overall OPM	6.6%	8.3%	13.2%	9.8%	5.7%	11.2%
OP mix						
Air-con	2%	60%	93%	-	-	-
Refrigerator	39%	9%	0%	-	-	-
Washing Machine	38%	12%	0%	-	-	-
(Small) kitchen/cleaning appliances	4%	11%	0%	69%	91%	95%
Others	17%	8%	6%	31%	9%	5%

Source: Company data, Credit Suisse estimates

Figure 47: Home appliance company estimates changes

Company	Ticker	Rating (prev.)	Current price	Target price (prev.)	TP change (%)	Up/downside (%)	2022E EPS (prev.)	2022E EPS (% change)	2022E P/E (x)
Haier Smart Home (A)	600690.SS	O	24.7	35.2 (36.5)	-3.6%	43%	1.62 (1.63)	-0.7%	15.2
Haier Smart Home (H)	6690.HK	O	27.4	42.2 (43.8)	-3.6%	54%	1.62 (1.63)	-0.7%	14.1
Midea	000333.SZ	O	58.7	90.2 (99.0)	-8.9%	54%	4.56 (4.74)	-3.8%	12.9
Gree Electric	000651.SZ	O	32.4	46.1 (49.0)	-5.9%	42%	4.64 (4.71)	-1.5%	7.0

Note: Priced as of 15-Apr-2022. O = Outperform.

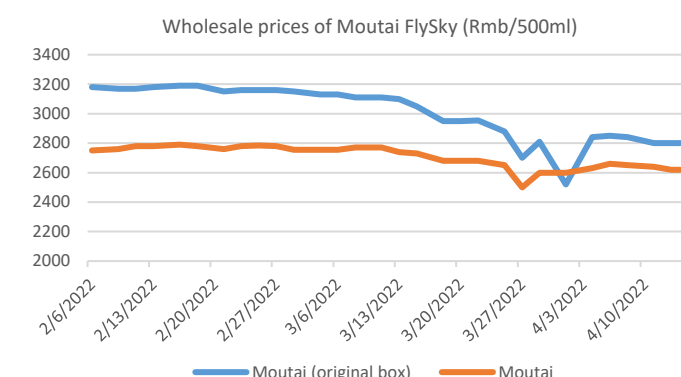
Source: Company data, Credit Suisse estimates

Baijiu: eyes on recovery progress in May

Channel check findings: slow drink starting in mid-Mar

Since early March, the government's restrictive measures in response to Covid-19 have paused baijiu consumption in occasions such as restaurants and gathering drinking at home in Shanghai, Jilin and some other areas. Self-drinking has been the only consumption occasion for baijiu, which represents a minimal share in total consumption, in these lockdown areas. In addition, increased restrictive measures across the nation since mid-Mar have also negatively impacted sell-through and consumption of baijiu.

By the end of 1Q22, baijiu companies' payment/shipment was around 35-50% of full-year target sales, largely in line with the historical average. Retailers' sell-through has been disappointing since mid-March given demand headwinds. Channel inventory now ranges from 0.5 month to 2.5 months across brands, slightly higher than the historical average at the same point of time. Wholesale prices of major baijiu products have been largely stable, although the wholesale price of FlySky declined to Rmb2,500/500ml in late March from Rmb2,780/500ml on 10 March, largely due to channel speculators' destocking before iMoutai went live. To safeguard product prices and help distributors/retailers, baijiu companies delayed or softened prepayment requirements for 2Q22.

Figure 48: Moutai's wholesale price recovered slightly in April

Source: Company data

Near term impact: not substantial given low season

March to April is a low season for baijiu, contributing ~10% sales for the whole year. We think 1Q22 results of our covered baijiu were almost unaffected as the majority of 1Q distribution (sell-in) had taken place in January and February. If sell-through does not improve before mid-May, however, we think 2Q shipment could be impacted as wholesalers/retailers' destocking and cash collection for payment activities take time.

Company estimates changes

Considering the ongoing Covid-19 situation and restrictive lockdown measures in certain regions, we think baijiu sector sales volume forecast for 2022 should be cut by mid-single-digit. At the same time, we believe our covered five companies retain the capability in earnings delivery, leveraging their strong bargaining power over the channel, enriching product portfolio and expanding distribution network.

Assuming the Covid-19 impact to be eased gradually from May, we maintain our 2022 earnings forecast for Moutai unchanged, given its supply-side improvements including direct sales channel, rising output of finished Moutai liquor and new products. We maintain Laojiao's 2022 earnings estimate, which was more conservative than consensus estimate and now looks fair to us factoring in Covid-19 impact. We lower our 2022 earnings estimates for Wuliangye and Fenjiu by low-single-digit to factor in the volume loss incurred in March and April 2022.

Figure 50: Baijiu company estimates changes

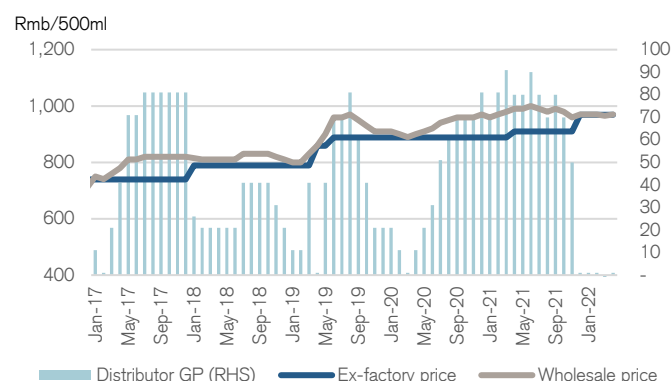
Company	Ticker	Rating (prev.)	Current Price	Target Price (prev.)	TP change (%)	Up/downside (%)	2022E EPS (prev.)	2022E EPS (% change)	2022E P/E (x)
Wuliangye	000858.SZ	O	169.9	260 (266)	-2.3%	53.0%	6.94 (7.04)	-1.4%	24.5
Shanxi Fen Wine	600809.SS	N	265.7	286 (296)	-3.4%	7.6%	6.14 (6.29)	-2.4%	43.3

Note: Priced as of 15-Apr-2022. O = Outperform. N = Neutral.

Source: Company data, Credit Suisse estimates

E-cigarette: regulation is the main focus**Channel check findings: slowed demand growth**

Our channel checks suggest that demand held up in Jan and Feb, overall growth slowed down in March and persisted into April. Overall, we are expecting a high-single-digit to low-teens growth in 1Q and given the current growth trends, 2Q growth is likely to be soft. For the full year, we are expecting negative growth for the e-cigarettes industry but mainly due to regulations rather than Covid lockdowns.

Figure 49: Wuliangye's prices—current channel mark-up is poor

Source: Company data

Conversations with industry have revolved around the flavour ban that will come to effect on 1 May and the impact to end-demand. Taking US as a reference, we estimate that there was a 20% drop from the peak due to flavour bans for the e-cigarette industry. However, we think the impact to China will be higher given the younger demographic make-up of e-cigarette consumption. The flavour bans would mostly start from 1 May, which has led many consumers to stock up flavoured products ahead of the ban.

Near term impact: regulatory change impact outweighs Covid-19

Instead of focussing on the impact from Covid-19, investors are more concerned with the impact of regulatory changes on demand. The lockdowns are likely to lead to a reduction in consumption levels given that bars and clubs are closed, which is the main occasion for consumption of e-cigarettes among young consumers. Given the stock up of consumers ahead of the ban in May, we are likely to see a meaningful drop in sales growth in 2Q. The silver lining is that the current measures only prohibit their sale in China, which does not impact the export of flavoured vapes. China OEM players like Smoore will still be able to grow in the overseas markets where there is a much more lax regulatory environment for the e-cigarettes market.

The other near-term impact would be the implementation of e-cigarettes transaction platform which will subject e-cigarettes to the same pricing and quota requirements as traditional tobacco products. This is likely to harm the competitiveness of the industry, in our view, and hinder innovation of newer products, which would slow down adoption rates. Moreover, there is also another overhang of the additional sales tax of 36-56%, which we previously expected to be implemented on 2H22. However, given the current lockdowns and the recent slew of regulatory announcements, we believe that the additional sales tax is likely to be implemented next year, which would relieve margins pressure faced by the company.

Figure 51: Regulatory updates in China e-vapour industry

Date	Policy	Detail
Nov-Dec 2021	Administrative Measures for E-Cigarettes (consultation paper) and National Standard on E-Cigarettes (consultation paper)	(1) Cap nicotine levels to 20mg/mL, (2) increase scrutiny across the value chain and (3) prohibit sale of e-cigarettes to minors.
11-Mar-2022	Administrative Measures for E-Cigarettes, National Standard on E-Cigarettes (2 nd consultation paper)	(1) Banning all flavours except tobacco, (2) Administrative Measures for E-Cigarettes will be effective as of 1-May-2022.
12-Apr-2022	National Standard on E-Cigarettes	(1) Effective as of 1-Oct-2022, (2) a transition period until 30-Sep-2022 to upgrade and register products under the new regulations.

Source: China Tobacco, SAMR, Credit Suisse

Company estimates changes

For Smoore we tweak revenue downwards slightly by 1% and net income by 2% to reflect lower demand and margin pressures. We lower our TP to HK\$24.70 from HK\$30.2 to reflect the higher regulatory and demand risk from the recently announced flavour bans.

Figure 52: E-cigarette company estimates changes

Company	Ticker	Rating (prev.)	Current price	Target price (prev.)	TP change (%)	Up/downside (%)	2022E EPS (prev.)	2022E EPS (% change)	2022E P/E (x)
Smoore	6969.HK	O	18.5	24.7 (30.2)	-18.2%	33.8%	0.71 (0.72)	-1.6%	21.2

Note: Priced as of 15-Apr-2022. O = Outperform.

Source: Company data, Credit Suisse estimates

Yum China Holdings, Inc.

1Q22 preview: Low-end of guidance but still outperforming peers

Restaurants

YUMC

Target price (12M, US\$) 58.00

Outperform

- **A sector wide bumpy recovery in March.** Recent Covid-19 resurgence and tightened control measures have put catering demand on a downward spiral since March. Our channel check suggests a persistently weak recovery trend among major players YTD, which has deteriorated in the past one month due to a regional lockdown in Shenzhen, Shanghai and some other cities. Overall, major catering companies' SSS recovery was approximately 60-80% in March 2022 versus the same period in 2021, significantly lower than the 80-100% YoY recovery rate in January and February 2022.
- **1Q22 preview.** For Yum China, its SSS recovery was ~96% YoY in Jan-Feb and ~80% YoY in the first two weeks of March, which further trended down in the past one month. Over 1,100 stores (~9% of total stores) were temporarily closed or offered off-premise services only, which might have exceeded 1,500 stores in April considering the >500 KFC/Pizza Hut stores in Shanghai. Our estimates for 1Q22: (1) SSSG at -10%; (2) sales at US\$2.5bn, down 0.5% YoY as increase in store counts and decline in SSS largely offset each other; (3) OP at US\$165mn, the low-end of company's previous estimates of US\$165mn-US\$200mn; and (4) net profit at US\$101mn, down 56% YoY due to sales deleverage and cost inflation.
- **FY22 outlook.** 2Q22 will be another challenging quarter considering the full-month impact of the Shanghai lockdown in April and the potential lingering impact on the Labour Day holiday in May. We expect SSSG to turn positive until 2H22, supported by gradual recovery from the pandemic and the low base last year (Delta impact since 3Q21 and Omicron impact since 4Q21). We model SSSG at -2.2%/+9.5%/+2.9% (previous: +4.8%/+3.4%/+2.1%), store unit growth at 11%/10%/9% (previous: 10%/10%/9%), and OPM at 7.7%/9.7%/10.3% (previous: 8.6%/9.7%/10.3%) in 2022/23/24. We thus cut 2022 net profit by 15% but maintain 2023/24 estimates largely unchanged. Our new estimates suggest earnings growth of 19%/43%/17% YoY in the coming three years.
- **Valuation.** We maintain our DCF-derived (8.0% WACC and 3.0% terminal growth rate) target price of US\$58.00/HK\$450.00, which implies 28x/24x 2023/24E P/E and 12x/10x 2023/24E EV/EBITDA. Yum China is our top pick in China's catering sector.

Price (14 Apr 22, US\$)	41.84
Upside/downside (%)	38.6
Mkt cap (US\$ mn)	17,727
Enterprise value (US\$ mn)	16,599
Number of shares (mn)	423.69
Free float (%)	91.5
52-wk price range (US\$)	69.40-36.55
ADTO-6M (US\$ mn)	33.9

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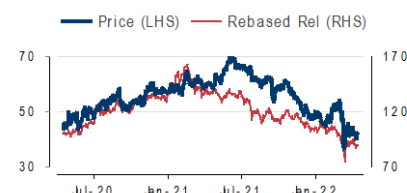
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Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (US\$ mn)	9,853.0	10,461.4	12,130.1	13,138.0
EBITDA (US\$ mn)	1,950.0	1,436.3	1,871.0	2,156.8
EBIT (US\$ mn)	1,386.0	801.3	1,172.0	1,355.2
Net profit (US\$ mn)	525.0	624.7	891.9	1,043.2
EPS (CS adj.) (US\$)	1.21	1.44	2.06	2.4
Chq. from prev. EPS (%)	n.a.	(14.6)	0.1	0.1
Consensus EPS (US\$)	n.a.	1.46	1.97	2.32
EPS growth (%)	(20.9)	19.0	42.8	17.0
P/E (x)	34.6	29.1	20.4	17.4
Dividend yield (%)	1.1	1.1	1.1	1.1
EV/EBITDA (x)	8.5	11.5	8.5	7.0
P/B (x)	2.5	2.38	2.2	2.01
ROE (%)	7.9	8.6	11.6	12.4
Net debt/equity (%)	(13.9)	(14.6)	(20.5)	(28.1)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14/04/22. On 14/04/22 the spot exchange rate was US\$1/US\$1

Performance	1M	3M	12M
Absolute (%)	5.7	(10.1)	(30.1)
Relative (%)	(14.5)	6.2	4.7

Yum China Holdings, Inc. (YUMC.N / YUMC US)

Price (14 Apr 2022): **US\$41.84**Target Price: **US\$58.00**Analyst: **Veronica Song**Rating: **Outperform**

Income Statement (US\$ mn)	12/21A	12/22E	12/23E	12/24E
Sales revenue	9,853	10,461	12,130	13,138
Cost of goods sold	7,734	8,331	9,464	10,232
EBITDA	1,950	1,436	1,871	2,157
EBIT	1,386	801	1,172	1,355
Net interest expense/(inc.)	(60)	(34)	(37)	(56)
Recurring PBT	1,392	870	1,233	1,439
Profit after tax	1,023	653	925	1,079
Reported net profit	990	625	892	1,043
Net profit (Credit Suisse)	525	625	892	1,043
Balance Sheet (US\$ mn)	12/21A	12/22E	12/23E	12/24E
Cash & cash equivalents	1,136	1,247	1,873	2,774
Current receivables	67	86	100	108
Inventories	432	458	525	566
Other current assets	3,081	3,224	3,384	3,534
Current assets	4,716	5,016	5,882	6,982
Property, plant & equip.	2,251	2,521	2,722	2,838
Investments	292	302	312	322
Intangibles	2,414	2,449	2,519	2,589
Other non-current assets	3,550	3,516	3,501	3,486
Total assets	13,223	13,804	14,936	16,217
Current liabilities	2,383	2,537	2,902	3,201
Total liabilities	5,315	5,521	6,006	6,485
Total debt	40	40	40	40
Shareholders' equity	7,056	7,403	8,018	8,783
Minority interests	852	880	913	948
Total liabilities & equity	13,223	13,804	14,936	16,217
Cash Flow (US\$ mn)	12/21A	12/22E	12/23E	12/24E
EBIT	1,386	801	1,172	1,355
Net interest	0	0	0	0
Tax paid	(369)	(218)	(308)	(360)
Working capital	43	70	213	193
Other cash & non-cash items	71	749	856	1,038
Operating cash flow	1,131	1,403	1,934	2,226
Capex	(689)	(900)	(930)	(948)
Free cash flow to the firm	442	503	1,004	1,279
Investing cash flow	(855)	(1,000)	(1,030)	(1,048)
Equity raised	(75)	(75)	(75)	(75)
Dividends paid	(260)	(203)	(203)	(203)
Financing cash flow	(313)	(292)	(278)	(278)
Total cash flow	(37)	111	626	901
Adjustments	15	0	0	0
Net change in cash	(22)	111	626	901
Per share	12/21A	12/22E	12/23E	12/24E
Shares (wtd avg.) (mn)	434	434	434	434
EPS (Credit Suisse) (US\$)	1.21	1.44	2.06	2.40
DPS (US\$)	0.48	0.48	0.48	0.48
Operating CFPS (US\$)	2.61	3.23	4.46	5.13
Earnings	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	19.2	6.2	16.0	8.3
EBIT	44.2	(42.2)	46.3	15.6
EPS	(20.9)	19.0	42.8	17.0
Margins (%)				
EBITDA	19.8	13.7	15.4	16.4
EBIT	14.1	7.7	9.7	10.3
Valuation (x)	12/21A	12/22E	12/23E	12/24E
P/E	34.6	29.1	20.4	17.4
P/B	2.50	2.38	2.20	2.01
Dividend yield (%)	1.1	1.1	1.1	1.1
EV/sales	1.7	1.6	1.3	1.1
EV/EBITDA	8.5	11.5	8.5	7.0
EV/EBIT	12.0	20.6	13.6	11.1
ROE analysis (%)	12/21A	12/22E	12/23E	12/24E
ROE	7.9	8.6	11.6	12.4
ROIC	16.8	8.7	12.4	14.4
Credit ratios	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	(13.9)	(14.6)	(20.5)	(28.1)
Net debt/EBITDA (x)	(0.56)	(0.84)	(0.98)	(1.27)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Established in 1987, Yum China operates chain restaurants in mainland China, with exclusive rights to operate and sub-license the KFC, Pizza Hut and Taco Bell brands in China. It also owns East Dawning, Little Sheep, Huang Ji Huang and COFFi & JOY.

Blue/Grey Sky Scenario



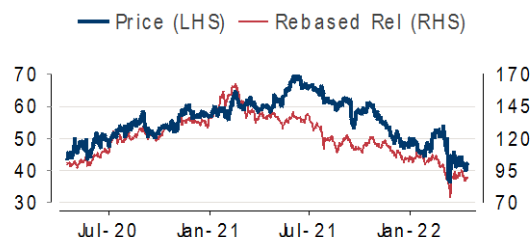
Our Blue Sky Scenario (US\$) 76.00

Our blue sky scenario assumes higher SSSG and unit growth for KFC/Pizza Hut over 2021-24E. Our US\$76.0/HK\$590.0 blue sky valuation is derived from 14x 2023E EV/EBITDA.

Our Grey Sky Scenario (US\$) 41.00

Our grey sky scenario assumes lower SSSG and unit growth for KFC/Pizza Hut over 2021-23E. Our US\$41.0/HK\$318 grey sky valuation is derived from 8x 2023E EV/EBITDA.

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14-Apr-2022

On 14-Apr-2022 the spot exchange rate was US\$1/US\$1

Haidilao International Holding Ltd

A loss-making March/April to weigh on its turnaround

Restaurants

6862.HK

Target price (12M, HK\$) **16.50**
Neutral^[V]

- **A sector wide bumpy recovery in March.** Recent Covid-19 resurgence and tightened control measures have put catering demand on a downward spiral since March. Our channel check suggests a persistently weak recovery trend among major players YTD, which has deteriorated in the past one month due to regional lockdown in Shenzhen, Shanghai and some other cities. Overall, major catering companies' SSS recovery was approximately 60-80% in March 2022 versus the same period in 2021, significantly lower than the 80-100% YoY recovery rate in January and February 2022.
- **A weak 1Q22 despite the mass closure last year.** Haidilao's overall/same store table turn recovery was approximately 100% in Jan-Feb but merely 80%/70% in March, compared to the same period in 2021. The implied recovery rate versus the same period in 2019 was approximately 70% in Jan-Feb and 50% in March. The March decline is mainly due to suspended operation of Shanghai stores (approximately 60 of the 70 stores were impacted). Haidilao also closed 20 stores in the first three months of the year, including 18 stores under the Woodpecker Plan. We estimate the company to be loss-making in March, and it would be challenging to breakeven in 1Q22 with average table turn near 3.0x.
- **FY22 outlook.** 2Q22 will be another challenging quarter as the full-month impact of Shanghai lockdown in April will translate into another loss-making month for Haidilao. The potential lingering impact on consumption during the Labour Day holiday in May further weighs on the company's recovery. For 2022/23, we model overall table turn at 3.2x/3.7x (previous: 3.4x/3.7x), store unit growth at 1%/2% (no change), and OPM at 3.1%/7.1% (previous: 4.0%/6.9%) as we expect the Woodpecker Plan to help improve personnel and operating efficiency in a normalized year. Therefore, we cut 2022 net profit by 31% but marginally edge up 2023 net profit by 1%. We also introduce 2024 forecasts, which suggest earnings CAGR of 5% during 2019-24.
- **Valuation.** Our DCF-derived (8.6% WACC and 3.0% terminal growth rate) target price of HK\$16.5 (previous: HK\$14.5) for Haidilao implies 29x/25x 2023/24E P/E and 12x/11x 2023/24E EV/EBITDA. We think the current stock price has fairly reflected expectations of slow table turn recovery and decelerated store roll-out. We thus maintain NEUTRAL.

Previous target price (12M, HK\$)	14.50
Price (14 Apr 22, HK\$)	16.16
Upside/downside (%)	2.1
Mkt cap (HK\$/US\$ mn)	90,076 / 11,484
Enterprise value (Rmb mn)	75,364
Number of shares (mn)	5,574
Free float (%)	18.1
52-wk price range (HK\$)	53.00-10.08
ADTO-6M (US\$ mn)	47.0
[V] = Stock Considered Volatile (see Disclosure Appendix)	

Research Analysts

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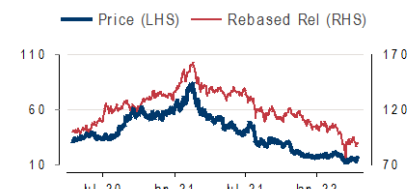
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Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (Rmb mn)	41,111.6	41,945.0	49,344.5	51,907.4
EBITDA (Rmb mn)	3,236.5	4,059.4	6,459.2	7,194.8
EBIT (Rmb mn)	(184.1)	1,315.1	3,491.1	4,108.1
Net profit (Rmb mn)	(4,163.2)	851.8	2,584.9	3,046.7
EPS (CS adj.) (Rmb)	(0.78)	0.15	0.46	0.55
Chq. from prev. EPS (%)	n.a.	(30.9)	1.3	n.a.
Consensus EPS (Rmb)	n.a.	0.27	0.51	0.68
EPS growth (%)	n.m.	n.m.	203.5	17.9
P/E (x)	n.m.	85.9	28.3	24.0
Dividend yield (%)	0.1	0.3	1.1	1.2
EV/EBITDA (x)	23.2	18.8	11.7	9.5
P/B (x)	9.24	8.6	7.09	5.87
ROE (%)	(45.9)	10.4	27.5	26.8
Net debt/equity (%)	23.7	35.0	22.4	(40.0)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14/04/22. On 14/04/22 the spot exchange rate was HK\$7.84/US\$1

Performance	1M	3M	12M
Absolute (%)	60.3	(10.9)	(66.7)
Relative (%)	40.1	5.4	(31.9)

Haidilao International Holding Ltd (6862.HK / 6862 HK)

Analyst: **Veronica Song**Price (14 Apr 2022): **HK\$16.16** Target Price: (from HK\$14.50) **HK\$16.50**Rating: **Neutral [V]**

Income Statement (Rmb mn)				
	12/21A	12/22E	12/23E	12/24E
Sales revenue	41,112	41,945	49,345	51,907
Cost of goods sold	17,977	18,409	21,585	22,694
EBITDA	3,237	4,059	6,459	7,195
EBIT	(184)	1,315	3,491	4,108
Net interest expense/(inc.)	645	765	717	748
Recurring PBT	(3,976)	1,138	3,449	4,065
Profit after tax	(4,161)	854	2,587	3,049
Reported net profit	(4,163)	852	2,585	3,047
Net profit (Credit Suisse)	(4,163)	852	2,585	3,047
Balance Sheet (Rmb mn)				
	12/21A	12/22E	12/23E	12/24E
Cash & cash equivalents	5,805	4,575	4,746	12,042
Current receivables	3,423	369	3,990	566
Inventories	1,456	1,066	1,891	1,217
Other current assets	722	722	722	722
Current assets	11,406	6,731	11,349	14,547
Property, plant & equip.	9,315	12,226	10,220	8,108
Investments	366	366	366	366
Intangibles	217	236	266	296
Other non-current assets	6,717	9,360	8,343	7,250
Total assets	28,021	28,920	30,545	30,567
Current liabilities	9,886	8,893	9,777	8,575
Total liabilities	20,093	20,393	20,206	18,094
Total debt	7,687	7,557	7,057	7,057
Shareholders' equity	7,915	8,511	10,320	12,453
Minority interests	14	16	18	20
Total liabilities & equity	28,021	28,920	30,544	30,567
Cash Flow (Rmb mn)				
	12/21A	12/22E	12/23E	12/24E
EBIT	(184)	1,315	3,491	4,108
Net interest	0	0	0	0
Tax paid	(348)	(285)	(862)	(1,016)
Working capital	(1,271)	2,582	(3,062)	2,896
Other cash & non-cash items	950	4,438	4,850	5,074
Operating cash flow	(853)	8,050	4,416	11,062
Capex	(4,910)	(980)	(962)	(974)
Free cash flow to the firm	(5,763)	7,071	3,454	10,088
Investing cash flow	(5,284)	(990)	(972)	(984)
Equity raised	1,916	0	0	0
Dividends paid	(93)	(256)	(775)	(914)
Financing cash flow	3,583	(2,614)	(3,273)	(2,782)
Total cash flow	(2,554)	4,446	171	7,296
Adjustments	0	0	0	0
Net change in cash	(2,554)	4,446	171	7,296
Per share				
	12/21A	12/22E	12/23E	12/24E
Shares (wtd avg.) (mn)	5,312	5,574	5,574	5,574
EPS (Credit Suisse) (Rmb)	(0.78)	0.15	0.46	0.55
DPS (Rmb)	0.02	0.05	0.14	0.16
Operating CFPS (Rmb)	(0.16)	1.44	0.79	1.98
Earnings				
	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	43.7	2.0	17.6	5.2
EBIT	(118.6)	814.3	165.5	17.7
EPS	(1443.1)	119.5	203.5	17.9
Margins (%)				
EBITDA	7.9	9.7	13.1	13.9
EBIT	(0.4)	3.1	7.1	7.9
Valuation (x)				
	12/21A	12/22E	12/23E	12/24E
P/E	(16.7)	85.9	28.3	24.0
P/B	9.24	8.60	7.09	5.87
Dividend yield (%)	0.1	0.3	1.1	1.2
EV/sales	1.8	1.8	1.5	1.3
EV/EBITDA	23.2	18.8	11.7	9.5
EV/EBIT	(407.6)	57.9	21.6	16.6
ROE analysis (%)				
	12/21A	12/22E	12/23E	12/24E
ROE	(45.9)	10.4	27.5	26.8
ROIC	(1.8)	9.3	21.7	30.6
Credit ratios				
	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	23.7	35.0	22.4	(40.0)
Net debt/EBITDA (x)	0.58	0.73	0.36	(0.69)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Haidilao International Holding Ltd. is a chain of hot pot restaurants founded in Jianyang, Sichuan, China in 1994. In addition to locations in China, it has expanded worldwide to countries such as Australia, UK, Canada, US, South Korea, Singapore, etc.

Blue/Grey Sky Scenario



Our Blue Sky Scenario (HK\$)

21.00

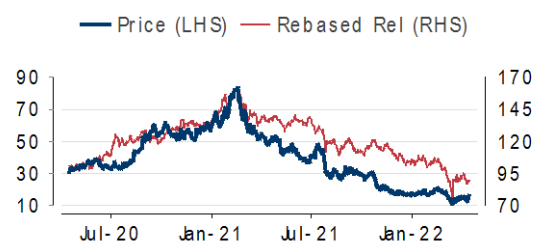
Our blue sky scenario value assumes higher SSSG/unit growth over 2021-23E, which would lead to 50% EBITDA CAGR during the period (base case: 41%). Our HK\$21.0 blue sky valuation is derived from 14x 2023E EV/EBITDA.

Our Grey Sky Scenario (HK\$)

10.00

Our grey sky scenario value assumes lower SSSG/unit growth over 2021-23E, which would lead to 30% EBITDA CAGR during the period (base case: 41%). Our HK\$10.0 grey sky valuation is derived from 8x 2023E EV/EBITDA.

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14-Apr-2022

On 14-Apr-2022 the spot exchange rate was HK\$7.84/US\$1

Jiumaojiu International Holdings Ltd

On the right track despite near-term challenges

Restaurants

9922.HK

Target price (12M, HK\$) **21.00**
Outperform^[M]

- **A sector wide bumpy recovery in March.** Recent Covid-19 resurgence and tightened control measures have put catering demand on a downward spiral since March. Our channel check suggests a persistently weak recovery trend among major players YTD, which has deteriorated in the past one month due to regional lockdown in Shenzhen, Shanghai and some other cities. Overall, major catering companies' SSS recovery was approximately 60-80% in March 2022 versus the same period in 2021, significantly lower than the 80-100% YoY recovery rate in January and February 2022.
- **Pressured in 1Q22 due to high exposure to Covid impacted cities.** Tai Er brand's SSS recovery was approximately 85-90% in Jan-Feb but declined to 60% in March, compared to the same period in 2021. The implied recovery rate versus the same period in 2019 was approximately 90% in Jan-Feb and 60% in March. The March decline is mainly due to Tai Er's high exposure to Covid impacted cities such as Shenzhen (>10% stores) and Shanghai (>10% stores). The number of stores that suspended operation or provided only off-premise services was almost 100 in mid-March due to Shenzhen lockdown, below 70 in late March as Shenzhen lifted control, and around 80 in early April due to the Shanghai lockdown. We expect the company to approach breakeven in March but turn profitable in 1Q22.
- **FY22 outlook.** 2Q22 will be another challenging quarter considering the full-month impact of the Shanghai lockdown in April and its potential lingering impact on the Labour Day holiday in May. For 2022/23/24, we model Tai Er's seat turn at 3.4x/3.7x/3.8x (previous: 3.5x/3.7x/3.8x), gross store opening at 150/150/150 (no change), and store-level OPM at 22.0%/22.5%/22.5% (no change). Therefore we cut 2022 net profit by 11% but maintain 2023/24 estimates largely unchanged. Our new estimates suggest earnings growth of 32%/70%/33% YoY in the coming three years.
- **Valuation.** Our DCF-derived (9.6% WACC and 3.0% terminal growth rate) target price of HK\$21.0 implies 33x/25x 2023/24E P/E, 11x/8x 2023/24E EV/EBITDA, and 1.0x 2023E PEG based on 2019-23E EPS CAGR. We like the company's high-growth potential supported by its healthy store economics and multi-brand strategy, though its near-term sentiment could be volatile due to Covid-19 resurgence in key cities.

Price (14 Apr 22, HK\$)	16.70
Upside/downside (%)	25.7
Mkt cap (HK\$/US\$ mn)	24,272 / 3,094
Enterprise value (Rmb mn)	18,053
Number of shares (mn)	1,453
Free float (%)	44.6
52-wk price range (HK\$)	34.18-11.52
ADTO-6M (US\$ mn)	25.7
[V] = Stock Considered Volatile (see Disclosure Appendix)	

Research Analysts

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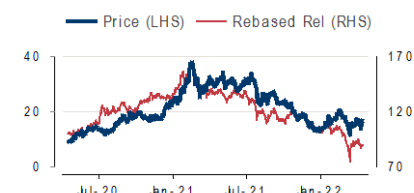
frank.su@credit-suisse.com

Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (Rmb mn)	4,179.7	5,706.3	8,499.6	10,910.5
EBITDA (Rmb mn)	950.2	1,298.9	2,011.0	2,629.1
EBIT (Rmb mn)	791.0	1,094.0	1,781.3	2,334.9
Net profit (Rmb mn)	339.9	448.2	760.9	1,008.8
EPS (CS adj.) (Rmb)	0.23	0.31	0.52	0.69
Chq. from prev. EPS (%)	n.a.	(11.4)	0.0	0.0
Consensus EPS (Rmb)	n.a.	0.37	0.58	0.77
EPS growth (%)	162.7	31.9	69.7	32.6
P/E (x)	58.0	44.0	25.9	19.5
Dividend yield (%)	0.3	0.5	0.8	1.0
EV/EBITDA (x)	19.3	13.3	8.4	5.9
P/B (x)	6.39	5.73	4.87	4.06
ROE (%)	11.1	13.7	20.3	22.7
Net debt/equity (%)	(42.8)	(68.1)	(66.3)	(80.9)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14/04/22. On 14/04/22 the spot exchange rate was HK\$7.84/US\$1

Performance	1M	3M	12M
Absolute (%)	45.0	8.7	(43.1)
Relative (%)	24.8	25.0	(8.3)

Jiumaojiu International Holdings Ltd (9922.HK / 9922 HK)

Analyst: **Veronica Song**Price (14 Apr 2022): **HK\$16.70**Target Price: **HK\$21.00**Rating: **Outperform [V]**

Income Statement (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Sales revenue	4,180	5,706	8,500	10,911
Cost of goods sold	1,537	2,149	3,200	4,108
EBITDA	950	1,299	2,011	2,629
EBIT	791	1,094	1,781	2,335
Net interest expense/(inc.)	75	107	155	199
Recurring PBT	506	664	1,127	1,495
Profit after tax	372	498	845	1,121
Reported net profit	340	448	761	1,009
Net profit (Credit Suisse)	340	448	761	1,009
Balance Sheet (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Cash & cash equivalents	1,342	2,415	2,809	4,171
Current receivables	409	515	858	903
Inventories	73	186	199	296
Other current assets	736	736	736	736
Current assets	2,559	3,852	4,602	6,105
Property, plant & equip.	572	656	840	960
Investments	321	321	321	321
Intangibles	18	18	18	18
Other non-current assets	1,664	2,361	2,973	3,675
Total assets	5,135	7,208	8,754	11,079
Current liabilities	805	1,443	1,684	2,388
Total liabilities	1,998	3,663	4,515	5,921
Total debt	0	0	0	0
Shareholders' equity	3,083	3,441	4,050	4,857
Minority interests	55	105	189	301
Total liabilities & equity	5,135	7,209	8,755	11,079
Cash Flow (Rmb mn)	12/21A	12/22E	12/23E	12/24E
EBIT	791	1,094	1,781	2,335
Net interest	0	0	0	0
Tax paid	(134)	(166)	(282)	(374)
Working capital	(113)	403	(311)	390
Other cash & non-cash items	228	193	190	240
Operating cash flow	772	1,523	1,378	2,592
Capex	(218)	(380)	(425)	(425)
Free cash flow to the firm	554	1,143	953	2,167
Investing cash flow	(218)	(380)	(425)	(425)
Equity raised	0	0	0	0
Dividends paid	(68)	(90)	(152)	(202)
Financing cash flow	(606)	(521)	(559)	(805)
Total cash flow	(51)	622	394	1,362
Adjustments	0	0	0	0
Net change in cash	(51)	622	394	1,362
Per share	12/21A	12/22E	12/23E	12/24E
Shares (wtd avg.) (mn)	1,453	1,453	1,453	1,453
EPS (Credit Suisse) (Rmb)	0.23	0.31	0.52	0.69
DPS (Rmb)	0.05	0.06	0.10	0.14
Operating CFPS (Rmb)	0.53	1.05	0.95	1.78
Earnings	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	54.0	36.5	49.0	28.4
EBIT	120.0	38.3	62.8	31.1
EPS	162.7	31.9	69.7	32.6
Margins (%)				
EBITDA	22.7	22.8	23.7	24.1
EBIT	18.9	19.2	21.0	21.4
Valuation (x)	12/21A	12/22E	12/23E	12/24E
P/E	58.0	44.0	25.9	19.5
P/B	6.39	5.73	4.87	4.06
Dividend yield (%)	0.3	0.5	0.8	1.0
EV/sales	4.4	3.0	2.0	1.4
EV/EBITDA	19.3	13.3	8.4	5.9
EV/EBIT	23.2	15.8	9.5	6.7
ROE analysis (%)	12/21A	12/22E	12/23E	12/24E
ROE	11.1	13.7	20.3	22.7
ROIC	38.1	56.1	104.3	144.9
Credit ratios	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	(42.8)	(68.1)	(66.3)	(80.9)
Net debt/EBITDA (x)	(1.41)	(1.86)	(1.40)	(1.59)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Jiumaojiu operates Chinese-style chain restaurants under five brands including, Northwestern China cuisine Jiu Mao Jiu, sauerkraut fish restaurant Tai Er, Chinese style crepes Double Eggs, Sichuan hot pot Song and Cantonese cuisine Uncle Chef.

Blue/Grey Sky Scenario



Our Blue Sky Scenario (HK\$)

30.00

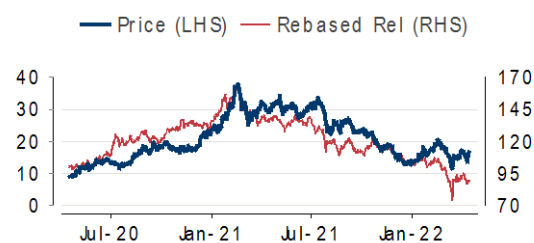
Our blue sky scenario assumes higher SSSG and unit growth for Jiumaojiu/Tai Er over 2021-23E, which would lead to 55% EBITDA CAGR over the same period (versus 45% in base case). Our HK\$30.0 blue sky valuation is derived from 14x 2023E EV/EBITDA.

Our Grey Sky Scenario (HK\$)

12.00

Our grey sky scenario assumes lower SSSG and unit growth for Jiumaojiu/Tai Er over 2021-23E, which would lead to 20% EBITDA CAGR over the same period (versus 45% in base case). Our HK\$12.0 blue sky valuation is derived from 8x 2023E EV/EBITDA.

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14-Apr-2022

On 14-Apr-2022 the spot exchange rate was HK\$7.84/US\$1

Xiabu Xiabu

Seeming lack of growth engines but valuation already at historical trough

Restaurants

0520.HK

Target price (12M, HK\$) 5.00

Outperform^[V]

- **A sector wide bumpy recovery in March.** Recent Covid-19 resurgence and tightened control measures have put catering demand on a downward spiral since March. Our channel check suggests a persistently weak recovery trend among major players YTD, which has deteriorated in the past one month due to the regional lockdown in Shenzhen, Shanghai and some other cities. Overall, major catering companies' SSS recovery was approximately 60-80% in March 2022 versus the same period in 2021, significantly lower than the 80-100% YoY recovery rate in January and February 2022.
- **A lacklustre 1Q22 with slow recovery of both brands.** Xiabuxiabu/Coucous brands' SSS recovery was approximately 85%/85% in Jan-Feb but merely 80%/60% in March, compared to the same period in 2021. The implied recovery rate versus the same period in 2019 was approximately 60%/70% in Jan-Feb and 60%/50% in March. The divergent performance of Xiabuxiabu/Coucous brands in March is mainly due to relatively low/high exposure to Covid impacted cities such as Shenzhen and Shanghai. The number of stores suspended operation or provided only off-premise services was less than 200 (~20% of stores) for Xiabuxiabu and over 40 (~20% of stores) for Coucou in March.
- **FY22 outlook.** 2Q22 will be another challenging quarter considering the full-month impact of the Shanghai lockdown in April and its potential lingering impact on the Labor Day holiday in May. For 2022/23/24, we model seat turn of 2.3x/2.3x/2.3x for Xiabuxiabu (no change) and table turn of 2.4x/2.7x/2.7x for Coucou (previous: 2.6x/2.7x/2.7x), store unit growth at 6%/5%/5% for Xiabuxiabu (no change) and 48%/40%/32% for Coucou (no change), and corporate OPM at 2.1%/5.0%/5.6% (previous: 2.6%/5.0%/5.6%). We therefore cut 2022 net profits by 29% but maintain 2023/24 estimates largely unchanged. Our new estimates suggest earnings CAGR of 5% during 2019-24.
- **Valuation.** Our DCF-derived (10.7% WACC and 3.0% terminal growth rate) target price of HK\$5.0 for Xiabuxiabu implies 16x/12x 2023/24E P/E and 3.0x/2.5x 2023/24E EV/EBITDA. Despite the slow recovery and the uncertainties in store expansion (versus company's target of 500 Coucou stores by 2024), we sense more upside than downside at current valuation (historical trough) as near-term Covid-19 impact is already priced-in.

Price (14 Apr 22, HK\$)	3.92
Upside/downside (%)	27.6
Mkt cap (HK\$/US\$ mn)	4,257 / 543
Enterprise value (Rmb mn)	2,645
Number of shares (mn)	1,086
Free float (%)	45.0
52-wk price range (HK\$)	12.50-3.02
ADTO-6M (US\$ mn)	2.4
[V] = Stock Considered Volatile (see Disclosure Appendix)	

Research Analysts

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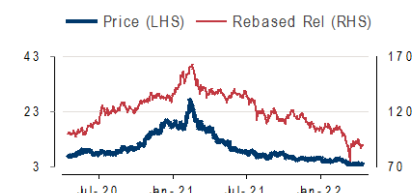
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Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (Rmb mn)	6,147.3	6,283.3	8,081.9	9,532.3
EBITDA (Rmb mn)	1,034.8	1,157.6	1,622.2	1,963.5
EBIT (Rmb mn)	(18.2)	131.6	403.8	538.1
Net profit (Rmb mn)	(293.2)	71.1	275.3	376.0
EPS (CS adj.) (Rmb)	(0.27)	0.07	0.25	0.35
Chq. from prev. EPS (%)	n.a.	(29.0)	(0.2)	(0.1)
Consensus EPS (Rmb)	n.a.	0.11	0.28	0.41
EPS growth (%)	n.m.	n.m.	287.1	36.6
P/E (x)	n.m.	48.6	12.6	9.2
Dividend yield (%)	1.8	0.8	3.2	4.4
EV/EBITDA (x)	2.5	2.4	2.1	1.4
P/B (x)	1.76	1.72	1.59	1.44
ROE (%)	(13.7)	3.6	13.1	16.4
Net debt/equity (%)	(42.0)	(35.7)	(4.5)	(26.7)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14/04/22. On 14/04/22 the spot exchange rate was HK\$7.84/US\$1

Performance	1M	3M	12M
Absolute (%)	29.8	(21.6)	(72.2)
Relative (%)	9.6	(5.3)	(37.4)

Xiabu Xiabu (0520.HK / 520 HK)Price (14 Apr 2022): **HK\$3.92**Target Price: **HK\$5.00**Analyst: **Veronica Song**Rating: **Outperform [V]**

Income Statement (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Sales revenue	6,147	6,283	8,082	9,532
Cost of goods sold	2,341	2,423	3,105	3,648
EBITDA	1,035	1,158	1,622	1,963
EBIT	(18)	132	404	538
Net interest expense/(inc.)	93	73	73	73
Recurring PBT	(214)	108	380	515
Profit after tax	(283)	81	285	386
Reported net profit	(293)	71	275	376
Net profit (Credit Suisse)	(293)	71	275	376
Balance Sheet (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Cash & cash equivalents	921	812	178	736
Current receivables	395	294	592	453
Inventories	599	596	935	864
Other current assets	82	82	82	82
Current assets	1,996	1,784	1,787	2,134
Property, plant & equip.	1,053	1,455	1,654	1,805
Investments	0	0	0	0
Intangibles	2	2	2	2
Other non-current assets	1,900	1,911	1,897	1,746
Total assets	4,951	5,152	5,340	5,688
Current liabilities	1,768	1,930	1,955	2,079
Total liabilities	2,940	3,088	3,100	3,213
Total debt	76	76	76	76
Shareholders' equity	1,970	2,012	2,177	2,403
Minority interests	42	52	62	72
Total liabilities & equity	4,951	5,152	5,340	5,688
Cash Flow (Rmb mn)	12/21A	12/22E	12/23E	12/24E
EBIT	(18)	132	404	538
Net interest	0	0	0	0
Tax paid	(69)	(27)	(95)	(129)
Working capital	(158)	256	(624)	324
Other cash & non-cash items	1,214	1,076	1,268	1,475
Operating cash flow	969	1,436	953	2,209
Capex	(435)	(643)	(737)	(770)
Free cash flow to the firm	534	793	216	1,439
Investing cash flow	(479)	(912)	(739)	(772)
Equity raised	0	0	0	0
Dividends paid	(60)	(28)	(110)	(150)
Financing cash flow	(614)	(685)	(849)	(879)
Total cash flow	(125)	(161)	(634)	558
Adjustments	0	0	0	0
Net change in cash	(125)	(161)	(634)	558
Per share	12/21A	12/22E	12/23E	12/24E
Shares (wtd avg.) (mn)	1,075	1,086	1,086	1,086
EPS (Credit Suisse) (Rmb)	(0.27)	0.07	0.25	0.35
DPS (Rmb)	0.06	0.03	0.10	0.14
Operating CFPS (Rmb)	0.90	1.32	0.88	2.03
Earnings	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	12.7	2.2	28.6	17.9
EBIT	(137.5)	825.1	206.8	33.2
EPS	(16103.3)	124.0	287.1	36.6
Margins (%)				
EBITDA	16.8	18.4	20.1	20.6
EBIT	(0.3)	2.1	5.0	5.6
Valuation (x)	12/21A	12/22E	12/23E	12/24E
P/E	(11.7)	48.6	12.6	9.2
P/B	1.76	1.72	1.59	1.44
Dividend yield (%)	1.8	0.8	3.2	4.4
EV/sales	0.4	0.4	0.4	0.3
EV/EBITDA	2.5	2.4	2.1	1.4
EV/EBIT	(144.0)	20.7	8.3	5.2
ROE analysis (%)	12/21A	12/22E	12/23E	12/24E
ROE	(13.7)	3.6	13.1	16.4
ROIC	(2.0)	7.9	17.5	20.4
Credit ratios	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	(42.0)	(35.7)	(4.5)	(26.7)
Net debt/EBITDA (x)	(0.82)	(0.64)	(0.06)	(0.34)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

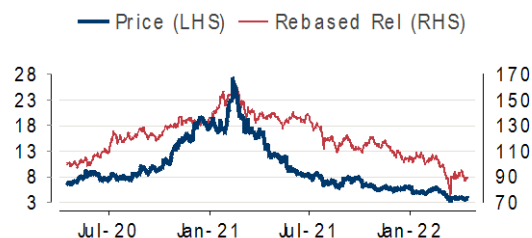
Xiabuxiabu is a chain of hot pot restaurants founded in 1998 and headquartered in Beijing. It owns and operates restaurants under two brands including Xiabuxiabu and Coucou.

Blue/Grey Sky Scenario**Our Blue Sky Scenario (HK\$)****8.00**

Our blue sky scenario assumes higher unit growth and faster margin improvement for Xiabuxiabu/Coucou over 2021-24E, which would lead to 35% EBITDA CAGR during the period (versus base case of 24%). Our HK\$8.0 blue sky valuation is derived from 4.0x 2023E EV/EBITDA.

Our Grey Sky Scenario (HK\$)**2.50**

Our grey sky scenario assumes lower unit growth and slower margin improvement for Xiabuxiabu/Coucou over 2021-23E, which would lead to 10% EBITDA CAGR during the period (versus base case of 24%). Our HK\$2.5 grey sky valuation is derived from 2.0x 2023E EV/EBITDA.

Share price performance

The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14-Apr-2022

On 14-Apr-2022 the spot exchange rate was HK\$7.84/US\$1

Haitian Flavouring & Food

Downgrade to NEUTRAL due to Covid-19 and cost headwinds

Packaged Foods

603288.SS

Target price (12M, Rmb) 96.00

Neutral

- **More conservative on short-term earnings growth.** Haitian delivered a resilient 12% earnings CAGR in 2020-21 on the back of market share gains and good cost management, showcasing its absolute leading position in China's condiment market. But with prolonged demand and cost headwinds YTD, we cut our 2022 profit estimate by 6%. Haitian's 12%/12% revenue/earnings growth target for 2022 looks a bit challenging to us.
- **1Q22 results to miss consensus.** We expect Haitian to deliver +3%/-3% revenue/net profit growth YoY in 1Q22, below consensus estimates of HSD/MSD growth. Our channel checks indicate Haitian's sell-in declined YoY in March and distributors in certain high-growth markets did not meet 1Q target, dragged by weaker-than-expected demand for catering. Haitian's channel inventory of tier-1 distributors now stands above three months versus a healthy level of 1-2 months, leaving limited room for further channel stocking. Meanwhile, increased lockdown and other restrictive measures made tier 2 distributors and retailers stay cautious on the demand outlook making them less willing to take risks in channel stock or other selling & marketing activities. On the cost side, as almost all major raw materials continued to see cost inflation into 2022, we believe the gains from ex-factory price hikes in 4Q21 will not be able to cover the loss from cost inflation for both 1Q22 and the full year.
- **Expect 11%/9% revenue/earnings growth YoY in 2022** based on (1) three major condiment categories (namely soy sauce, seasoning sauce and oyster sauce) to see 8-14% sales growth YoY, with ASP up 5% driven by price hikes from late 2021; (2) gross margin to contract 0.6 pp YoY to 38.0% on 5-6% increase in unit COGS for three major condiment categories; (3) net margin to contract 0.5 pp YoY to 26.2%, with the gross margin headwind partially offset by a lower OpEx ratio on operating leverage.
- **Downgrade to NEUTRAL from OUTPERFORM.** Due to the earnings cut and more conservative mid-term growth forecast, we cut our DCF-based price target from Rmb128 to Rmb96 (WACC: 7.1%), which implies 48x 2023E P/E. We think Haitian's weak short-term earnings could point to some pressure in valuation in recent months, although there is strong consensus for the company's long-term growth on its competitive portfolio and extensive distribution network across the nation.

Previous rating	Outperform
Previous target price (12M, Rmb)	128.00
Price (15 Apr 22, Rmb)	90.36
Upside/downside (%)	6.2
Mkt cap (Rmb/US\$ mn)	380,648 / 59,752
Enterprise value (Rmb mn)	365,923
Number of shares (mn)	4,213
Free float (%)	100.0
52-wk price range (Rmb)	139-84.00
ADTO-6M (US\$ mn)	87.7

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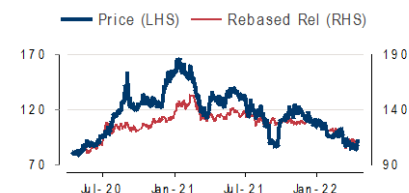
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Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (Rmb mn)	25,004.0	27,787.2	31,843.7	36,516.4
EBITDA (Rmb mn)	7,981.9	8,377.1	9,791.3	11,640.5
EBIT (Rmb mn)	7,236.5	7,908.3	9,260.7	11,038.1
Net profit (Rmb mn)	6,670.8	7,266.9	8,475.1	10,125.3
EPS (CS adj.) (Rmb)	1.58	1.73	2.01	2.4
Chq. from prev. EPS (%)	n.a.	(6.3)	(6.9)	(5.5)
Consensus EPS (Rmb)	n.a.	1.8	2.13	2.43
EPS growth (%)	(19.9)	8.9	16.6	19.5
P/E (x)	57.1	52.4	44.9	37.6
Dividend yield (%)	0.9	1.0	1.1	1.3
EV/EBITDA (x)	46.0	43.4	36.6	30.3
P/B (x)	16.27	13.93	11.83	10.0
ROE (%)	30.7	28.6	28.5	28.8
Net debt/equity (%)	(59.0)	(61.1)	(67.8)	(73.7)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15/04/22. On 15/04/22 the spot exchange rate was Rmb6.37/US\$1

Performance	1M	3M	12M
Absolute (%)	2.0	(12.2)	(30.6)
Relative (%)	1.3	(0.8)	(15.2)

Haitian Flavouring & Food (603288.SS / 603288 CH)

Analyst: Frank Su

Price (15 Apr 2022): Rmb90.36 Target Price: (from Rmb128.00) Rmb96.00

Rating: (from Outperform) Neutral

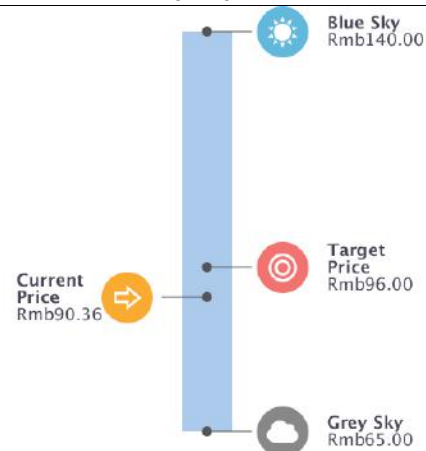
Income Statement (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Sales revenue	25,004	27,787	31,844	36,516
Cost of goods sold	15,337	17,223	19,503	22,019
EBITDA	7,982	8,377	9,791	11,641
EBIT	7,237	7,908	9,261	11,038
Net interest expense/(inc.)	(584)	(749)	(835)	(1,022)
Recurring PBT	7,821	8,657	10,095	12,060
Profit after tax	6,671	7,272	8,480	10,130
Reported net profit	6,671	7,267	8,475	10,125
Net profit (Credit Suisse)	6,671	7,267	8,475	10,125
Balance Sheet (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Cash & cash equivalents	14,001	16,876	22,007	28,247
Current receivables	72	18	18	18
Inventories	2,227	3,397	3,846	4,343
Other current assets	11,279	11,279	11,279	11,279
Current assets	27,579	31,570	37,150	43,887
Property, plant & equip.	4,537	5,139	5,840	6,655
Investments	5	5	5	5
Intangibles	407	448	490	533
Other non-current assets	810	810	810	810
Total assets	33,338	37,972	44,295	51,889
Current liabilities	9,477	10,179	11,661	13,367
Total liabilities	9,838	10,541	12,022	13,729
Total debt	126	126	126	126
Shareholders' equity	23,402	27,333	32,175	38,062
Minority interests	98	98	98	98
Total liabilities & equity	33,338	37,972	44,295	51,889
Cash Flow (Rmb mn)	12/21A	12/22E	12/23E	12/24E
EBIT	7,237	7,908	9,261	11,038
Net interest	0	0	0	0
Tax paid	(1,149)	(1,385)	(1,615)	(1,930)
Working capital	(258)	(413)	1,032	1,210
Other cash & non-cash items	504	469	531	602
Operating cash flow	6,333	6,579	9,208	10,921
Capex	(1,031)	(1,111)	(1,274)	(1,461)
Free cash flow to the firm	5,302	5,467	7,934	9,461
Investing cash flow	(4,925)	(1,111)	(1,274)	(1,461)
Equity raised	0	0	0	0
Dividends paid	(3,342)	(3,335)	(3,633)	(4,238)
Financing cash flow	(3,093)	(2,587)	(2,799)	(3,216)
Total cash flow	(1,685)	2,881	5,135	6,245
Adjustments	0	0	0	0
Net change in cash	(1,685)	2,881	5,135	6,245
Per share	12/21A	12/22E	12/23E	12/24E
Shares (wtd avg.) (mn)	4,213	4,213	4,213	4,213
EPS (Credit Suisse) (Rmb)	1.58	1.73	2.01	2.40
DPS (Rmb)	0.79	0.86	1.01	1.20
Operating CFPS (Rmb)	1.50	1.56	2.19	2.59
Earnings	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	9.7	11.1	14.6	14.7
EBIT	(0.2)	9.3	17.1	19.2
EPS	(19.9)	8.9	16.6	19.5
Margins (%)				
EBITDA	31.9	30.1	30.7	31.9
EBIT	28.9	28.5	29.1	30.2
Valuation (x)	12/21A	12/22E	12/23E	12/24E
P/E	57.1	52.4	44.9	37.6
P/B	16.27	13.93	11.83	10.00
Dividend yield (%)	0.9	1.0	1.1	1.3
EV/sales	14.7	13.1	11.3	9.7
EV/EBITDA	46.0	43.4	36.6	30.3
EV/EBIT	50.7	46.0	38.7	31.9
ROE analysis (%)	12/21A	12/22E	12/23E	12/24E
ROE	30.7	28.6	28.5	28.8
ROIC	85.9	65.4	73.8	90.8
Credit ratios	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	(59.0)	(61.1)	(67.8)	(73.7)
Net debt/EBITDA (x)	(1.74)	(2.00)	(2.23)	(2.42)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Haitian Flavouring manufactures food seasonings. The company develops, produces, and distributes condiments including soy sauce, flavoring sauce, oyster sauce, cooking wine, vinegar, edible oil, compound condiments, and so on.

Blue/Grey Sky Scenario



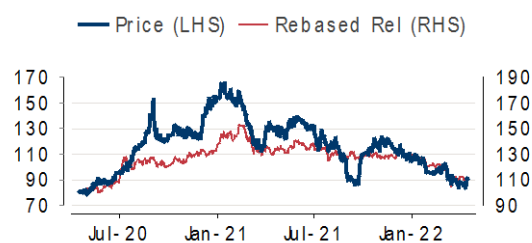
Our Blue Sky Scenario (Rmb) (from 190.00) 140.00

Our blue sky scenario assumes higher soy sauce/oyster sauce/other condiments sales volume growth over 2021-23E, which would lead to a 19% EPS CAGR during the same period. Our Rmb140 blue sky valuation is derived from 65x 2023E EPS.

Our Grey Sky Scenario (Rmb) (from 78.00) 65.00

Our grey sky scenario assumes lower soy sauce/oyster sauce/other condiments sales volume growth over 2021-23E, which would lead to a 9% EPS CAGR during the same period. Our Rmb65 grey sky valuation is derived from 35x 2023E EPS.

Share price performance



The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15-Apr-2022
On 15-Apr-2022 the spot exchange rate was Rmb6.37/US\$1

Anta Sports

Fila faces challenging growth outlook with Covid-19 lockdown

Apparel

2020.HK

Target price (12M, HK\$) 130.00

Outperform

- **Fila 1Q22 retail sales under pressure, with Covid-19 resurgence.** (1) Anta retail sales were up high teens YoY. As such, retail sales dropped sharply in mid-March, from >20% YoY growth in 2M22. Anta adult's retail sales grew in mid-teens, while Anta Kids rose 20-25% YoY. Inventory level remained relatively healthy at five months, while retail discount at 73% was similar to the 1Q21 level. (2) Fila retail sales up mid-single-digit YoY, with its focus on higher-tier cities, delivering mid-single-digit retail sales growth in 1Q22. Inventory level climbed to 6-7 months, while discount remained 75% (85% for new products), as Fila stuck to its premium brand positioning. (3) Other brands up 40-45% YoY. Other brands delivered 40-50% YoY growth 1Q22 and >60% YoY growth in 2M22. Similar to Fila, Descente and Kolon have higher exposure to higher-tier cities and shopping malls.
- **Fila guided down, as Covid-19 impact may last into 2Q22.** Anta guided down Fila from the previous FY target of 15-20% YoY, as it expects Fila to complete 60-70% of the previous target in Apr-May, depending on the evolving Covid-19 situation. Given the strict lockdown policies in Shanghai, other regions (e.g., Guangzhou) are taking a more serious approach against sporadic resurgence in Covid-19. Coupled with lower consumption power and delayed logistics, we believe both online and offline demand would be under pressure in the short term. Anta reiterated the guidance on its core brand (18-25% CAGR), despite the disruptions. We expect Anta core/Fila to deliver 16%/5% YoY growth in 2022.
- **Continuing investment, amid more challenging cost control.** Anta plans to roll out stringent cost control, while also maintaining brand and R&D investment to support its brands' long-term growth. The impact of rising raw material costs should be limited, in our view, due to ASP hike and cost sharing with upstream partners.
- **Reiterate OUTPERFORM.** While near-term growth challenges will likely be an overhang on stock performance, we believe Anta core is still on track to meet its five-year growth target of 18-25% CAGR, with store productivity improvement post-Covid. Our TP of HK\$130 is based on a blended mid-2023E P/E of 30x.

Price (14 Apr 22, HK\$)	93.10
Upside/downside (%)	39.6
Mkt cap (HK\$/US\$ mn)	252,638 / 32,208
Enterprise value (Rmb mn)	205,818
Number of shares (mn)	2,714
Free float (%)	45.5
52-wk price range (HK\$)	189-85.25
ADTO-6M (US\$ mn)	127.0

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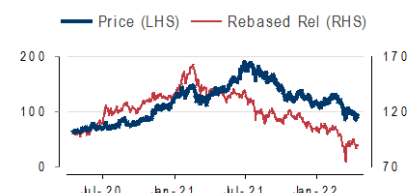
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Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (Rmb mn)	49,328.0	55,503.3	67,066.0	79,168.4
EBITDA (Rmb mn)	14,255.0	13,736.1	17,056.3	19,559.8
EBIT (Rmb mn)	10,989.0	12,909.2	16,118.0	18,491.5
Net profit (Rmb mn)	7,720.0	8,638.0	11,008.0	13,476.0
EPS (CS adj.) (Rmb)	2.87	3.21	4.09	5.01
Chq. from prev. EPS (%)	n.a.	0.0	0.0	0.0
Consensus EPS (Rmb)	n.a.	3.32	4.2	4.95
EPS growth (%)	49.5	11.9	27.4	22.4
P/E (x)	26.3	23.5	18.5	15.1
Dividend yield (%)	1.7	2.1	3.0	3.6
EV/EBITDA (x)	14.4	15.0	11.7	9.9
P/B (x)	7.03	6.12	5.33	4.6
ROE (%)	29.2	27.8	30.8	32.7
Net debt/equity (%)	2.5	0.7	(11.5)	(24.5)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14/04/22. On 14/04/22 the spot exchange rate was HK\$7.84/US\$1

Performance	1M	3M	12M
Absolute (%)	6.3	(18.3)	(33.6)
Relative (%)	(13.9)	(2.0)	1.3

Anta Sports (2020.HK / 2020 HK)

Price (14 Apr 2022): **HK\$93.10**Target Price: **HK\$130.00**Analyst: **Jesalyn Wong**Rating: **Outperform**

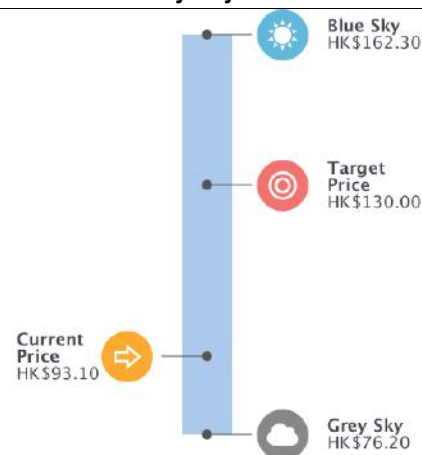
Income Statement (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Sales revenue	49,328	55,503	67,066	79,168
Cost of goods sold	18,924	22,375	27,140	33,839
EBITDA	14,255	13,736	17,056	19,560
EBIT	10,989	12,909	16,118	18,491
Net interest expense/(inc.)	238	272	227	208
Recurring PBT	11,240	12,951	16,504	19,061
Profit after tax	8,219	9,324	11,883	13,914
Reported net profit	7,720	8,638	11,008	13,476
Net profit (Credit Suisse)	7,720	8,638	11,008	13,476
Balance Sheet (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Cash & cash equivalents	17,592	26,777	34,168	46,324
Current receivables	6,914	10,271	11,101	13,413
Inventories	7,644	6,740	7,846	6,469
Other current assets	7,752	7,752	7,752	7,752
Current assets	39,902	51,540	60,867	73,958
Property, plant & equip.	2,853	3,296	3,645	4,056
Investments	0	0	0	0
Intangibles	1,531	1,480	1,429	1,376
Other non-current assets	18,382	19,201	19,687	20,197
Total assets	62,668	75,517	85,628	99,588
Current liabilities	15,943	16,574	20,366	24,973
Total liabilities	31,005	38,849	43,132	50,589
Total debt	18,392	27,019	29,293	34,335
Shareholders' equity	28,923	33,242	38,196	44,260
Minority interests	2,740	3,426	4,301	4,739
Total liabilities & equity	62,668	75,518	85,628	99,588
Cash Flow (Rmb mn)	12/21A	12/22E	12/23E	12/24E
EBIT	10,989	12,909	16,118	18,491
Net interest	0	0	0	0
Tax paid	(2,677)	(3,626)	(4,621)	(5,146)
Working capital	(282)	(3,236)	72	1,480
Other cash & non-cash items	7,922	3,856	4,553	7,773
Operating cash flow	15,952	9,904	16,122	22,598
Capex	(1,360)	(999)	(1,006)	(1,188)
Free cash flow to the firm	14,592	8,905	15,116	21,411
Investing cash flow	(4,669)	(1,937)	(1,371)	(1,191)
Equity raised	0	0	0	0
Dividends paid	(3,259)	(6,604)	(7,882)	(7,412)
Financing cash flow	(4,947)	3,724	(4,558)	(3,428)
Total cash flow	6,336	11,690	10,193	17,979
Adjustments	24	0	0	0
Net change in cash	6,360	11,690	10,193	17,979
Per share	12/21A	12/22E	12/23E	12/24E
Shares (wtd avg.) (mn)	2,690	2,690	2,690	2,690
EPS (Credit Suisse) (Rmb)	2.87	3.21	4.09	5.01
DPS (Rmb)	1.28	1.61	2.25	2.75
Operating CFPS (Rmb)	5.93	3.68	5.99	8.40
Earnings	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	38.9	12.5	20.8	18.0
EBIT	20.1	17.5	24.9	14.7
EPS	49.5	11.9	27.4	22.4
Margins (%)				
EBITDA	28.9	24.7	25.4	24.7
EBIT	22.3	23.3	24.0	23.4
Valuation (x)	12/21A	12/22E	12/23E	12/24E
P/E	26.3	23.5	18.5	15.1
P/B	7.03	6.12	5.33	4.60
Dividend yield (%)	1.7	2.1	3.0	3.6
EV/sales	4.2	3.7	3.0	2.4
EV/EBITDA	14.4	15.0	11.7	9.9
EV/EBIT	18.7	15.9	12.4	10.4
ROE analysis (%)	12/21A	12/22E	12/23E	12/24E
ROE	29.2	27.8	30.8	32.7
ROIC	26.8	26.8	31.1	36.2
Credit ratios	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	2.5	0.7	(11.5)	(24.5)
Net debt/EBITDA (x)	0.06	0.02	(0.29)	(0.61)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

ANTA Sports Products Limited designs, researches, develops, manufactures, markets, trades in, and retails sporting footwear, apparel, and accessories in China.

Blue/Grey Sky Scenario



Our Blue Sky Scenario (HK\$)

162.30

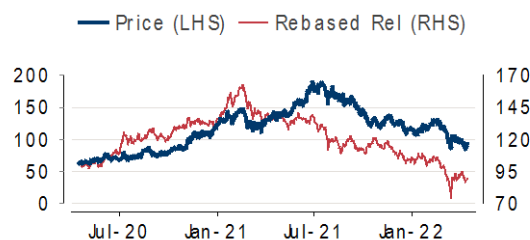
Our blue sky value of HK\$162.3 assumes less competition in the sportswear industry, which leads to core operating profit margin expansion of 1.1 pp in 2022E (vs. the base scenario of 0.1 pp) and valuation multiples of 37x blended mid-2023 P/E (vs. the base case of 30x).

Our Grey Sky Scenario (HK\$)

76.20

Our grey sky value of HK\$76.2 assumes more competition in the sportswear industry, which leads to core operating profit margin contraction of 0.5 pp in 2022E (vs. our base scenario margin expansion of 0.1 pp) and valuation multiples of 18x blended mid-2023 P/E (vs. the base case of 30x).

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14-Apr-2022

On 14-Apr-2022 the spot exchange rate was HK\$7.84/US\$1

Li Ning

2Q high base but expected by market

Apparel

2331.HK

Target price (12M, HK\$) 88.00

Outperform^[M]

- **Expecting >30% YoY growth in 1Q22E.** Li Ning's retail sales growth has been resilient and given that Xtep has already reported 30-35% YoY growth in 1Q22, we are expecting Li Ning to achieve >30% growth in 1Q. From our channel checks, Shanghai has one of the most large store formats and is likely to be the most impacted among domestic brands. Tie 1 and 2 cities are likely to contribute 30% of retail sales. On supply chain, the impact is currently manageable.
- **Lockdowns could limit the ability to raise pricing in the near term.** Over the last couple of years, Li Ning has been able to successfully raise brand positioning and pricing through higher priced SKUs. However, our channel checks have suggested that discounts have widened during the recent lockdown in order to drive revenue growth. Due to a shortage of products in 1H21, discount levels last year were 3-5pp lower than normalized levels. As such, we expect OPM to contract slightly from 22.8% in 2021 to 22.6% in 2022 vs our previously expectation of a margin expansion.
- **Structural growth intact.** While near-term challenges persist heading into 2Q on a high base given strong growth last year, we believe Li Ning's long-term structural growth remains intact. Its strategy of premiumising the brand has played out well over the last three years with "China Li-Ning" having paved the way. Going forward, its newly launched 1990 series will add competition to the premium athleisure sportswear segment—a space that Fila has historically dominated. Longer term, we are likely to see ASP growth, underpinned by improved product mix.
- **Maintain OUTPERFORM.** Given its more premium branding and its high base effect in 2Q, we lower our revenue estimates by 4% to reflect current trading environment. We note that discounts have widened during March/April to drive revenue growth, impacting margin outlook. Longer term we are still supportive of the growth story but we lower our margin estimates slightly in 2022. As such, we cut EPS by 6%. Reflecting earnings cuts, we lower our TP slightly to HK\$88 (from HK\$92) on unchanged 35x P/E multiple.

Previous target price (12M, HK\$)	92.00
Price (14 Apr 22, HK\$)	63.95
Upside/downside (%)	37.6
Mkt cap (HK\$/US\$ mn)	167,347 / 21,335
Enterprise value (Rmb mn)	119,818
Number of shares (mn)	2,617
Free float (%)	89.4
52-wk price range (HK\$)	108-50.95
ADTO-6M (US\$ mn)	161.2
[V] = Stock Considered Volatile (see Disclosure Appendix)	

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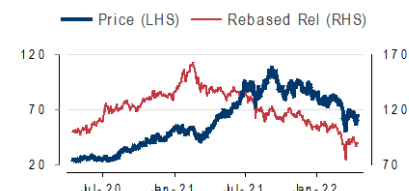
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Financial and valuation metrics

Year	12/21A	12/22E	12/23E
Revenue (Rmb mn)	22,572.3	25,971.7	31,465.1
EBITDA (Rmb mn)	6,472.2	7,912.0	8,503.0
EBIT (Rmb mn)	5,136.4	5,872.9	7,718.4
Net profit (Rmb mn)	4,010.9	4,585.3	5,992.9
EPS (CS adj.) (Rmb)	1.6	1.83	2.39
Chq. from prev. EPS (%)	n.a.	(5.5)	(3.4)
Consensus EPS (Rmb)	n.a.	1.88	2.34
EPS growth (%)	131.3	14.3	30.7
P/E (x)	32.4	28.4	21.7
Dividend yield (%)	0.9	1.1	1.4
EV/EBITDA (x)	18.7	14.7	13.2
P/B (x)	6.17	5.35	4.56
ROE (%)	26.9	20.2	22.7
Net debt/equity (%)	(69.9)	(79.4)	(83.6)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14/04/22. On 14/04/22 the spot exchange rate was HK\$7.84/US\$1

Performance	1M	3M	12M
Absolute (%)	25.5	(16.8)	10.6
Relative (%)	5.3	(0.5)	45.5

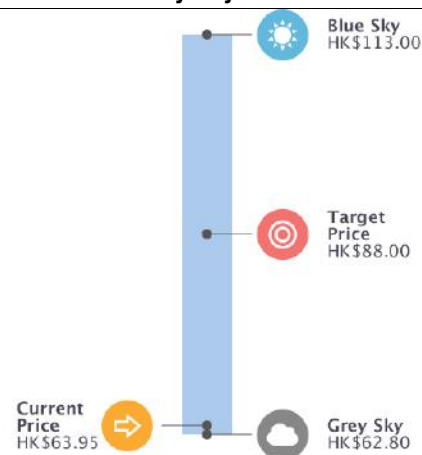
Li Ning (2331.HK / 2331 HK)Price (14 Apr 2022): **HK\$63.95** Target Price: (from HK\$92.00) **HK\$88.00**Analyst: **Jesalyn Wong**Rating: **Outperform [V]**

Income Statement (Rmb mn)			
	12/21A	12/22E	12/23E
Sales revenue	22,572	25,972	31,465
Cost of goods sold	10,603	12,241	13,971
EBITDA	6,472	7,912	8,503
EBIT	5,136	5,873	7,718
Net interest expense/(inc.)	(33)	(74)	(97)
Recurring PBT	5,328	6,114	7,991
Profit after tax	4,011	4,585	5,993
Reported net profit	4,011	4,585	5,993
Net profit (Credit Suisse)	4,011	4,585	5,993
Balance Sheet (Rmb mn)			
	12/21A	12/22E	12/23E
Cash & cash equivalents	14,745	19,307	23,832
Current receivables	903	1,352	1,552
Inventories	1,773	2,381	2,756
Other current assets	1,251	1,263	1,282
Current assets	18,672	24,303	29,422
Property, plant & equip.	1,626	626	1,100
Investments	0	0	0
Intangibles	188	188	188
Other non-current assets	9,789	9,789	9,789
Total assets	30,275	34,906	40,498
Current liabilities	7,704	9,125	10,523
Total liabilities	9,171	10,592	11,990
Total debt	0	0	0
Shareholders' equity	21,104	24,314	28,509
Minority interests	0	0	0
Total liabilities & equity	30,275	34,906	40,498
Cash Flow (Rmb mn)			
	12/21A	12/22E	12/23E
EBIT	5,136	5,873	7,718
Net interest	0	0	0
Tax paid	(1,317)	(1,528)	(1,998)
Working capital	1,211	352	804
Other cash & non-cash items	1,495	2,206	960
Operating cash flow	6,525	6,903	7,485
Capex	(903)	(1,039)	(1,259)
Free cash flow to the firm	5,622	5,864	6,226
Investing cash flow	2,256	(965)	(1,162)
Equity raised	10	0	0
Dividends paid	(1,203)	(1,376)	(1,798)
Financing cash flow	(1,223)	(1,376)	(1,798)
Total cash flow	7,558	4,562	4,525
Adjustments	0	0	0
Net change in cash	7,558	4,562	4,525
Per share			
	12/21A	12/22E	12/23E
Shares (wtd avg.) (mn)	2,505	2,505	2,505
EPS (Credit Suisse) (Rmb)	1.60	1.83	2.39
DPS (Rmb)	0.46	0.55	0.72
Operating CFPS (Rmb)	2.60	2.76	2.99
Earnings			
	12/21A	12/22E	12/23E
Growth (%)			
Sales revenue	56.1	15.1	21.2
EBIT	133.9	14.3	31.4
EPS	131.3	14.3	30.7
Margins (%)			
EBITDA	28.7	30.5	27.0
EBIT	22.8	22.6	24.5
Valuation (x)			
	12/21A	12/22E	12/23E
P/E	32.4	28.4	21.7
P/B	6.17	5.35	4.56
Dividend yield (%)	0.9	1.1	1.4
EV/sales	5.4	4.5	3.6
EV/EBITDA	18.7	14.7	13.2
EV/EBIT	23.6	19.9	14.5
ROE analysis (%)			
	12/21A	12/22E	12/23E
ROE	26.9	20.2	22.7
ROIC	98.4	77.5	119.6
Credit ratios			
	12/21A	12/22E	12/23E
Net debt/equity (%)	(69.9)	(79.4)	(83.6)
Net debt/EBITDA (x)	(2.28)	(2.44)	(2.80)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

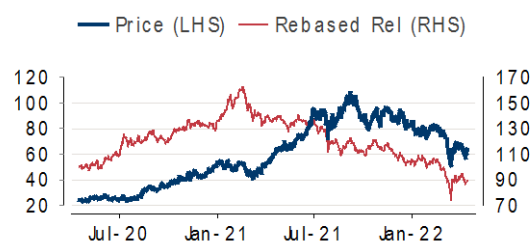
Li Ning Company Limited researches, designs, manufactures, distributes, and retails sports footwear, apparel and accessories for sport and leisure use.

Blue/Grey Sky Scenario**Our Blue Sky Scenario (HK\$)****(from 118.00) 113.00**

Our blue sky scenario value of HK\$113 assumes less competition in the sportswear industry, which leads to higher operating margin, higher sales assumption and will further re-rate to 45x mid-2022/23E P/E.

Our Grey Sky Scenario (HK\$)**(from 65.60) 62.80**

Our grey sky scenario value of HK\$62.8 assumes more competition in the sportswear industry, which leads to lower operating margin, lower sales assumption and will derate to 25x mid-2022/23E P/E.

Share price performance

The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14-Apr-2022

On 14-Apr-2022 the spot exchange rate was HK\$7.84/US\$1

Proya

Revenue growth outlook impacted by Covid-19 in the near term

Personal Products

603605.SS

Target price (12M, Rmb) 225.00

Outperform^[V]

- **Online tracker suggests sales decline widened in Mar-2022.** Our online data tracker (Moojing) suggests that beauty and skincare online sales have declined further to -19% YoY in March from -5% in Feb. Sales of make-up, perfume and beauty tool declined 25% YoY, sliding from -1% YoY in Feb. While specifically, we expect fairly limited impact from the Shanghai lockdown, overall dampened consumer sentiment is likely to impact demand for the sector. According to Taosj data, Proya online sales grew 32% YoY through 2M22 which suggests healthy underlying demand. While we do not have the data for March, we believe it is likely to have slowed down significantly.
- **Brand premiumisation strategy likely challenging in near term...** Increasing ASP in this environment will prove to be challenging given logistics issues for delivery and brands will have to push back their premiumisation strategy. Live streaming channels, which have been a major driver of revenue growth has not helped online growth given that consumer's focus during the lockdown has been tilted towards stocking up food supplies. We are expecting to see potential margin pressure for the industry in 2Q.
- **...but still the best execution in the space.** While near-term headwinds persist, Proya has the best online execution among the domestic brands with notable market share in tier 1 and 2 cities, among domestic players, and is currently deepening its penetration to lower-tier cities to target more consumers. While its brand premiumisation is likely to take a halt in the near term, Proya's continued investment in R&D will allow the company to continue launching higher end products to increase its average ASP over the long term.
- **Maintain OUTPERFORM; top pick in cosmetics.** While we were previously more optimistic for revenue growth (20% YoY vs peers at 10-15%) outlook given its superior online execution and brand growth momentum, we believe the make-up segment growth would be impacted and lower our revenue growth estimates. Overall, we lower revenue growth forecast by 5pp and expect a 15% revenue growth in 2022, leading to a 5% EPS cut. We lower our target price to Rmb225 (from Rmb251) on a 52x P/E.

Previous target price (12M, Rmb)	251.00
Price (15 Apr 22, Rmb)	184.10
Upside/downside (%)	22.2
Mkt cap (Rmb/US\$ mn)	37,006 / 5,809
Enterprise value (Rmb mn)	35,296
Number of shares (mn)	201.01
Free float (%)	39.9
52-wk price range (Rmb)	214-154
ADTO-6M (US\$ mn)	28.4

[V] = Stock Considered Volatile (see Disclosure Appendix)

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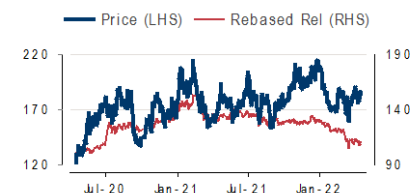
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Financial and valuation metrics

Year	12/20A	12/21E	12/22E	12/23E
Revenue (Rmb mn)	3,752.4	4,557.6	5,254.7	6,308.5
EBITDA (Rmb mn)	666.1	782.0	934.0	1,144.1
EBIT (Rmb mn)	578.3	694.9	834.5	1,041.0
Net profit (Rmb mn)	476.0	571.6	691.9	867.8
EPS (CS adj.) (Rmb)	2.37	2.85	3.45	4.32
Chq. from prev. EPS (%)	n.a.	0.0	(5.2)	(5.8)
Consensus EPS (Rmb)	n.a.	2.94	3.71	4.66
EPS growth (%)	20.9	20.1	21.0	25.4
P/E (x)	77.7	64.7	53.4	42.6
Dividend yield (%)	0.4	0.5	0.6	0.7
EV/EBITDA (x)	53.9	45.3	37.4	30.1
P/B (x)	15.46	13.26	11.31	9.54
ROE (%)	21.5	22.1	22.8	24.3
Net debt/equity (%)	(45.0)	(54.5)	(60.9)	(65.4)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15/04/22. On 15/04/22 the spot exchange rate was Rmb6.37/US\$1

Performance	1M	3M	12M
Absolute (%)	13.6	(0.2)	4.9
Relative (%)	12.9	11.2	20.3

Proya (603605.SS / 603605.CH)Analyst: **Jesalyn Wong**Price (15 Apr 2022): **Rmb184.10** Target Price: (from Rmb251.00) **Rmb225.00**Rating: **Outperform [V]**

Income Statement (Rmb mn)	12/20A	12/21E	12/22E	12/23E
Sales revenue	3,752	4,558	5,255	6,309
Cost of goods sold	1,368	1,637	1,843	2,165
EBITDA	666	782	934	1,144
EBIT	578	695	834	1,041
Net interest expense/(inc.)	(14)	(13)	(19)	(26)
Recurring PBT	548	664	809	1,023
Profit after tax	452	547	668	843
Reported net profit	476	572	692	868
Net profit (Credit Suisse)	476	572	692	868
Balance Sheet (Rmb mn)	12/20A	12/21E	12/22E	12/23E
Cash & cash equivalents	1,417	1,888	2,386	2,954
Current receivables	334	389	380	527
Inventories	469	455	454	495
Other current assets	124	78	70	75
Current assets	2,342	2,811	3,290	4,051
Property, plant & equip.	566	542	521	500
Investments	150	151	151	151
Intangibles	346	332	319	307
Other non-current assets	232	267	289	304
Total assets	3,637	4,103	4,569	5,313
Current liabilities	1,129	1,178	1,143	1,263
Total liabilities	1,155	1,224	1,208	1,349
Total debt	299	319	339	359
Shareholders' equity	2,392	2,789	3,271	3,874
Minority interests	90	90	90	90
Total liabilities & equity	3,637	4,103	4,569	5,313
Cash Flow (Rmb mn)	12/20A	12/21E	12/22E	12/23E
EBIT	578	695	834	1,041
Net interest	14	13	19	26
Tax paid	(96)	(116)	(142)	(179)
Working capital	(291)	(1)	(68)	(125)
Other cash & non-cash items	126	105	111	108
Operating cash flow	332	695	754	870
Capex	(184)	(116)	(86)	(86)
Free cash flow to the firm	147	579	668	784
Investing cash flow	15	(115)	(84)	(84)
Equity raised	0	0	0	0
Dividends paid	(127)	(161)	(191)	(238)
Financing cash flow	(43)	(141)	(171)	(218)
Total cash flow	303	440	499	567
Adjustments	0	0	0	0
Net change in cash	303	440	499	567
Per share	12/20A	12/21E	12/22E	12/23E
Shares (wtd avg.) (mn)	201	201	201	201
EPS (Credit Suisse) (Rmb)	2.37	2.85	3.45	4.32
DPS (Rmb)	0.72	0.87	1.05	1.31
Operating CFPS (Rmb)	1.65	3.46	3.76	4.33
Earnings	12/20A	12/21E	12/22E	12/23E
Growth (%)				
Sales revenue	20.1	21.5	15.3	20.1
EBIT	21.2	20.2	20.1	24.7
EPS	20.9	20.1	21.0	25.4
Margins (%)				
EBITDA	17.8	17.2	17.8	18.1
EBIT	15.4	15.2	15.9	16.5
Valuation (x)	12/20A	12/21E	12/22E	12/23E
P/E	77.7	64.7	53.4	42.6
P/B	15.46	13.26	11.31	9.54
Dividend yield (%)	0.4	0.5	0.6	0.7
EV/sales	9.6	7.8	6.7	5.5
EV/EBITDA	53.9	45.3	37.4	30.1
EV/EBIT	62.1	51.0	41.9	33.1
ROE analysis (%)	12/20A	12/21E	12/22E	12/23E
ROE	21.5	22.1	22.8	24.3
ROIC	41.2	42.8	52.4	64.0
Credit ratios	12/20A	12/21E	12/22E	12/23E
Net debt/equity (%)	(45.0)	(54.5)	(60.9)	(65.4)
Net debt/EBITDA (x)	(1.68)	(2.01)	(2.19)	(2.27)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

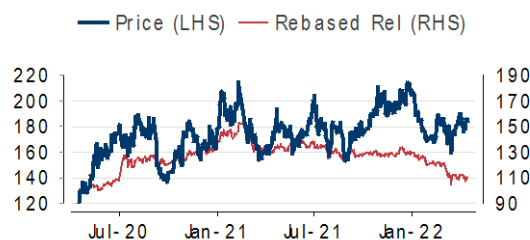
Proya focusses on the R&D, production and sales of cosmetics. Its products cover cosmetics fields such as skin care products, make-up, cleansing care, aromatherapy, etc., to meet the needs of consumers of different ages and preferences.

Blue/Grey Sky Scenario**Our Blue Sky Scenario (Rmb) (from 313.00) 294.90**

Our blue sky scenario of Rmb294.9 assumes less competition in the cosmetics industry, and Proya further obtains market share by premiumisation, which leads to net profit 5% higher than our base scenario and valuation multiples of 65x FY23 EPS (vs. the base case of 55x).

Our Grey Sky Scenario (Rmb) (from 131.00) 123.40

Our grey sky scenario of Rmb123.4 assumes more competition in the cosmetics industry, and Proya losing market share, which leads to net profit 5% lower than our base scenario and valuation multiples of 30x FY23 EPS, in line with its historical mean (vs. the base case of 55x).

Share price performance

The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15-Apr-2022
On 15-Apr-2022 the spot exchange rate was Rmb6.37/US\$1

Angelalign Technology

Covid-19 disruption extending to 2Q22, with potential price war escalation in the summer

Personal Products

6699.HK

Target price (12M, HK\$) 108.00

Underperform^[V]

- **Shipment pressure in March extending to April.** Due to the lockdown and escalated restriction measures in Shanghai, Jilin province, and other cities in the Yangtze River Delta, Angelalign may find continuous sell-in pressure in March to April 2022. Revenue in 2H of March and 1H of April in certain regions was largely erased. If the shutdown extends to late-April to May, demand might be further delayed and downstream clinics will be reluctant to purchase more with inventory buildup in 2Q22.
- **Demand pushed back or vanished?** From an individual's perspective, demand might be partly delayed and partly vanished due to worsening economic conditions and purchasing power of certain groups, in our view. Consumers might turn more bearish on job securities and disposable income outlook, and hence intend to fasten the belt on discretionary consumption. Generally speaking, the higher the ticket size, the more vulnerable. Among the categories that we cover, clear aligners rank at the top (average ticket size ~Rmb30k). The latest [CQI survey](#) results also showed a new low of consumption sentiment in March.
- **Potential price war escalation.** Covid-19 resurgence and lockdowns may broadly accelerate the price decline trend of the industry in 2022, in our view. After restriction easing (hopefully in 2Q22), along with a possible sales turnaround in 2Q22 and 2H22, we might see an escalation of price war in the peak season. Sales campaign format might include buy-10-get-3 for free (from get-1 or 2 for free previously) or higher rebate. Moreover, surging logistics costs and other ad hoc expenses during the lockdown may also weigh on margins, on top of ASP and GPM pressure.
- **Earnings revision.** Angelalign achieved positive shipment growth in 1Q22 (20%+ YoY in 2M22) according to management, which is already good in such a difficult environment. We estimate April shipment to stay in negative territory, and are hence trimming 2022 shipment target by 1%. Meanwhile, since 3Q is the peak season, and the company is looking to defend market share, we expect it to come up with a more aggressive sales campaign as a remedy. As such, we revise down our ASP assumption by 2%. 2022 EPS is hence lowered by 2%. Our new TP of HK\$108 is based on a 30% premium to international peers.

Previous target price (12M, HK\$)	117.00
Price (14 Apr 22, HK\$)	123.50
Upside/downside (%)	-12.6
Mkt cap (HK\$/US\$ mn)	20,839 / 2,657
Enterprise value (Rmb mn)	13,289
Number of shares (mn)	168.73
Free float (%)	11.3
52-wk price range (HK\$)	461-115
ADTO-6M (US\$ mn)	7.7
[V] = Stock Considered Volatile (see Disclosure Appendix)	

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Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (Rmb mn)	1,271.7	1,401.1	1,604.9	1,886.6
EBITDA (Rmb mn)	370.4	444.6	554.9	633.4
EBIT (Rmb mn)	318.3	352.7	408.8	489.7
Net profit (Rmb mn)	347.7	349.4	397.6	468.4
EPS (CS adj.) (Rmb)	2.35	2.07	2.36	2.78
Chg. from prev. EPS (%)	n.a.	(1.7)	(3.2)	(3.3)
Consensus EPS (Rmb)	n.a.	2.25	2.8	3.41
EPS growth (%)	23.8	(11.8)	13.7	17.8
P/E (x)	42.7	48.4	42.6	36.1
Dividend yield (%)	1.0	0.6	0.7	0.8
EV/EBITDA (x)	35.9	29.8	24.0	20.3
P/B (x)	5.09	4.74	4.39	4.04
ROE (%)	18.2	10.1	10.7	11.6
Net debt/equity (%)	(109.4)	(102.4)	(93.8)	(97.2)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14/04/22. On 14/04/22 the spot exchange rate was HK\$7.84/US\$1

Performance	1M	3M	12M
Absolute (%)	1.7	(45.0)	-
Relative (%)	(18.5)	(28.7)	-

Angelalign Technology (6699.HK / 6699 HK)

Price (14 Apr 2022): **HK\$123.50** Target Price: **(from HK\$117.00) HK\$108.00**

Analyst: **Jessie Xu**

Rating: **Underperform [V]**

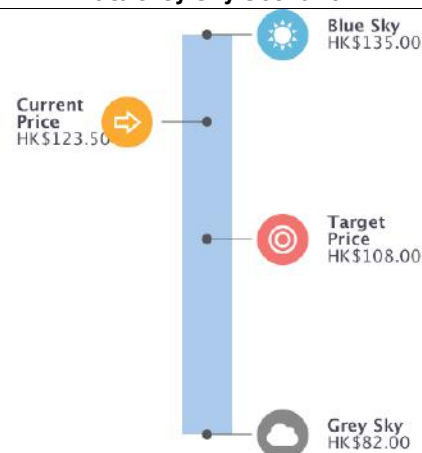
Income Statement (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Sales revenue	1,272	1,401	1,605	1,887
Cost of goods sold	445	513	597	709
EBITDA	370	445	555	633
EBIT	318	353	409	490
Net interest expense/(inc.)	(16)	(23)	(23)	(24)
Recurring PBT	332	376	432	514
Profit after tax	286	323	371	442
Reported net profit	286	323	371	442
Net profit (Credit Suisse)	348	349	398	468
Balance Sheet (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Cash & cash equivalents	3,627	3,654	3,616	4,072
Current receivables	78	86	98	116
Inventories	28	33	38	45
Other current assets	0	0	0	0
Current assets	3,733	3,773	3,752	4,233
Property, plant & equip.	248	472	793	768
Investments	15	15	15	15
Intangibles	8	8	8	8
Other non-current assets	136	151	164	175
Total assets	4,141	4,418	4,732	5,199
Current liabilities	698	723	751	882
Total liabilities	826	851	879	1,010
Total debt	0	0	0	0
Shareholders' equity	3,319	3,572	3,858	4,194
Minority interests	(4)	(4)	(4)	(4)
Total liabilities & equity	4,141	4,418	4,732	5,199
Cash Flow (Rmb mn)	12/21A	12/22E	12/23E	12/24E
EBIT	318	353	409	490
Net interest	(17)	(25)	(25)	(26)
Tax paid	(67)	(53)	(60)	(72)
Working capital	47	13	10	107
Other cash & non-cash items	161	141	195	194
Operating cash flow	442	429	529	693
Capex	(196)	(300)	(450)	(100)
Free cash flow to the firm	246	129	79	593
Investing cash flow	(182)	(305)	(455)	(104)
Equity raised	2,767	0	0	0
Dividends paid	(100)	(97)	(111)	(133)
Financing cash flow	2,523	(97)	(111)	(133)
Total cash flow	2,783	27	(38)	456
Adjustments	(34)	0	0	0
Net change in cash	2,749	27	(38)	456
Per share	12/21A	12/22E	12/23E	12/24E
Shares (wtd avg.) (mn)	148	169	169	169
EPS (Credit Suisse) (Rmb)	2.35	2.07	2.36	2.78
DPS (Rmb)	1.01	0.57	0.66	0.79
Operating CFPS (Rmb)	2.99	2.55	3.13	4.11
Earnings	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	55.7	10.2	14.6	17.6
EBIT	69.4	10.8	15.9	19.8
EPS	23.8	(11.8)	13.7	17.8
Margins (%)				
EBITDA	29.1	31.7	34.6	33.6
EBIT	25.0	25.2	25.5	26.0
Valuation (x)	12/21A	12/22E	12/23E	12/24E
P/E	42.7	48.4	42.6	36.1
P/B	5.09	4.74	4.39	4.04
Dividend yield (%)	1.0	0.6	0.7	0.8
EV/sales	10.5	9.5	8.3	6.8
EV/EBITDA	35.9	29.8	24.0	20.3
EV/EBIT	41.8	37.6	32.6	26.2
ROE analysis (%)	12/21A	12/22E	12/23E	12/24E
ROE	18.2	10.1	10.7	11.6
ROIC	(79.1)	(152.0)	467.1	237.8
Credit ratios	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	(109.4)	(102.4)	(93.8)	(97.2)
Net debt/EBITDA (x)	(9.79)	(8.22)	(6.52)	(6.43)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Angelalign is a pioneer and market leader of clear aligner solutions in China, with ~40% market share in 2020.

Blue/Grey Sky Scenario



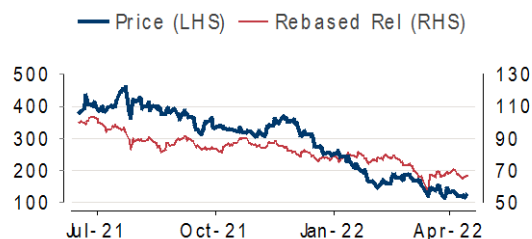
Our Blue Sky Scenario (HK\$) (from 147.00) 135.00

Our blue sky scenario of HK\$135 assumes 2022E EPS would be 10% above our base case, and the valuation is derived from 48x mid-2023E P/E.

Our Grey Sky Scenario (HK\$) (from 89.00) 82.00

Our blue sky scenario of HK\$82 assumes 2022E EPS would be 10% lower than our base case, and the valuation is derived from 32x mid-2023E P/E.

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14-Apr-2022
On 14-Apr-2022 the spot exchange rate was HK\$7.84/US\$1

Shanghai Haohai Biological Technology

High-end healthcare consumption sensitive to lockdown and consumption sentiment

Personal Products

6826.HK

Target price (12M, HK\$) **39.00**
Neutral^[V]

- **Sell-in pressure in March extending to April.** Due to the lockdown and escalated restriction measures in Shanghai, Jilin province, and other cities in the Yangtze River Delta, Haohai may find continuous sell-in pressure in March to April 2022. Revenue in 2H of March and 1H of April in certain regions was largely erased. If the shutdown extends to late-April to May, the demand might be further delayed and downstream clinics will be reluctant to purchase more with inventory build-up in 2Q22.
- **High-end healthcare consumption on a downward spiral.** Individual's demand might be partly delayed and partly vanished due to worsening economic conditions and purchasing power, in our view. Consumers might turn more bearish on job security and disposable income outlook, and hence intend to tighten their belt on discretionary consumption. Generally speaking, the higher the ticket size, the more vulnerable. Among the categories that we cover, clear aligners rank at the top (average ticket size ~Rmb30k), followed by OK lenses (Rmb5-20k), and botox and fillers (Rmb3-8k). The latest [CQI survey](#) results also showed a new low of consumption sentiment in March.
- **Potential price war escalation.** Covid-19 resurgence and lockdowns may broadly accelerate the price decline trend of HA fillers in 2022, in our view. After restriction easing (hopefully in 2Q22), along with a possible sales turnaround in 2Q22 and 2H22, we might see an escalation of price war in the rest of the year. Mid-to-low end HA fillers may sacrifice margin for volume amid intensified competition. On top of that, surging logistics costs and other ad hoc expenses during lockdown may also weigh on margins, in our view.
- **Earnings revision.** HA fillers and OK lenses are subject to the operation status and resumption timing of medical clinics. Besides, high-end products are more sensitive to consumption sentiment. As such, we cut ophthalmology and HA fillers revenue forecast by 2% and 4% for 2022, respectively. Overall revenue is down by 2%, and EPS is hence revised down by 2%. Our target price of HK\$39 for Haohai (H) is based on 13x mid-2023E P/E and -10% stock adjustment. We rate Haohai (H) NEUTRAL due to its fair valuation and lack of short-term catalysts.

Previous target price (12M, HK\$)	40.00
Price (14 Apr 22, HK\$)	38.70
Upside/downside (%)	0.8
Mkt cap (HK\$/US\$ mn)	15,904 / 2,028
Enterprise value (Rmb mn)	11,694
Number of shares (mn)	175.15
Free float (%)	11.9
52-wk price range (HK\$)	122-31.80
ADTO-6M (US\$ mn)	1.9
[V] = Stock Considered Volatile (see Disclosure Appendix)	

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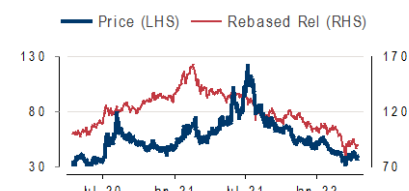
Miriam Lu
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Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (Rmb mn)	1,750.1	2,029.3	2,459.8	2,782.2
EBITDA (Rmb mn)	592.7	605.3	721.8	848.7
EBIT (Rmb mn)	291.3	410.4	497.4	597.1
Net profit (Rmb mn)	352.2	446.3	524.2	613.1
EPS (CS adj.) (Rmb)	2.0	2.54	2.98	3.49
Chq. from prev. EPS (%)	n.a.	(1.7)	(2.8)	(3.1)
Consensus EPS (Rmb)	n.a.	3.03	3.75	3.6
EPS growth (%)	54.3	26.7	17.5	16.9
P/E (x)	15.7	12.4	10.5	9.0
Dividend yield (%)	2.2	2.8	3.3	3.9
EV/EBITDA (x)	19.8	19.2	16.1	13.7
P/B (x)	0.97	0.92	0.87	0.82
ROE (%)	6.3	7.6	8.5	9.4
Net debt/equity (%)	(19.8)	(20.1)	(19.2)	(18.8)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14/04/22. On 14/04/22 the spot exchange rate was HK\$7.84/US\$1

Performance	1M	3M	12M
Absolute (%)	21.7	(30.3)	(38.1)
Relative (%)	1.5	(14.0)	(3.3)

Shanghai Haohai Biological Technology (6826.HK / 6826 HK)

Analyst: **Jessie Xu**Rating: **Neutral [V]**Price (14 Apr 2022): **HK\$38.70** Target Price: (from HK\$40.00) **HK\$39.00**

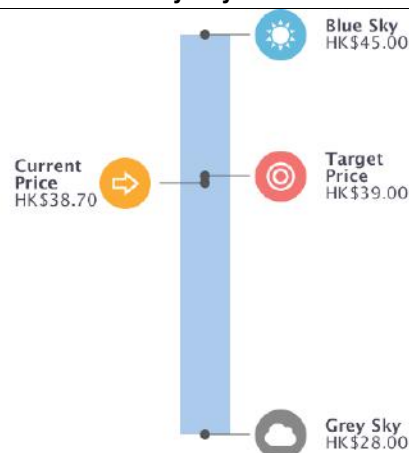
Income Statement (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Sales revenue	1,750	2,029	2,460	2,782
Cost of goods sold	490	582	709	807
EBITDA	593	605	722	849
EBIT	291	410	497	597
Net interest expense/(inc.)	(91)	(95)	(97)	(98)
Recurring PBT	383	506	594	695
Profit after tax	347	440	517	604
Reported net profit	352	446	524	613
Net profit (Credit Suisse)	352	446	524	613
Balance Sheet (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Cash & cash equivalents	1,284	1,355	1,363	1,411
Current receivables	375	406	443	445
Inventories	355	349	355	404
Other current assets	1,699	1,711	1,729	1,743
Current assets	3,713	3,821	3,889	4,003
Property, plant & equip.	1,197	1,384	1,695	1,983
Investments	625	625	625	625
Intangibles	1,020	982	947	914
Other non-current assets	395	462	521	574
Total assets	6,950	7,274	7,678	8,100
Current liabilities	487	527	597	629
Total liabilities	890	930	1,000	1,032
Total debt	82	82	82	82
Shareholders' equity	5,713	6,004	6,345	6,744
Minority interests	347	341	333	325
Total liabilities & equity	6,950	7,274	7,678	8,100
Cash Flow (Rmb mn)	12/21A	12/22E	12/23E	12/24E
EBIT	291	410	497	597
Net interest	(91)	(95)	(97)	(98)
Tax paid	(35)	(66)	(77)	(90)
Working capital	(80)	2	9	(33)
Other cash & non-cash items	258	290	321	349
Operating cash flow	342	542	654	725
Capex	(400)	(300)	(450)	(450)
Free cash flow to the firm	(58)	242	204	275
Investing cash flow	(148)	(315)	(463)	(462)
Equity raised	27	0	0	0
Dividends paid	(123)	(156)	(183)	(214)
Financing cash flow	(231)	(156)	(183)	(214)
Total cash flow	(37)	71	8	49
Adjustments	(7)	0	0	0
Net change in cash	(44)	71	8	49
Per share	12/21A	12/22E	12/23E	12/24E
Shares (wtd avg.) (mn)	176	176	176	176
EPS (Credit Suisse) (Rmb)	2.00	2.54	2.98	3.49
DPS (Rmb)	0.70	0.89	1.04	1.22
Operating CFPS (Rmb)	1.95	3.08	3.72	4.12
Earnings	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	32.1	16.0	21.2	13.1
EBIT	89.8	40.9	21.2	20.0
EPS	54.3	26.7	17.5	16.9
Margins (%)				
EBITDA	33.9	29.8	29.3	30.5
EBIT	16.6	20.2	20.2	21.5
Valuation (x)	12/21A	12/22E	12/23E	12/24E
P/E	15.7	12.4	10.5	9.0
P/B	0.97	0.92	0.87	0.82
Dividend yield (%)	2.2	2.8	3.3	3.9
EV/sales	6.7	5.7	4.7	4.2
EV/EBITDA	19.8	19.2	16.1	13.7
EV/EBIT	40.2	28.4	23.4	19.4
ROE analysis (%)	12/21A	12/22E	12/23E	12/24E
ROE	6.3	7.6	8.5	9.4
ROIC	5.6	7.2	8.3	9.3
Credit ratios	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	(19.8)	(20.1)	(19.2)	(18.8)
Net debt/EBITDA (x)	(2.03)	(2.10)	(1.77)	(1.57)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Haohai is a leading player in ophthalmology and orthopedics material supplier, and owns one of the leading domestic hyaluronic acid brands in China. Haohai was dual listed on the Shanghai Stock Exchange in 2019.

Blue/Grey Sky Scenario



Our Blue Sky Scenario (HK\$)

(from 46.00) **45.00**

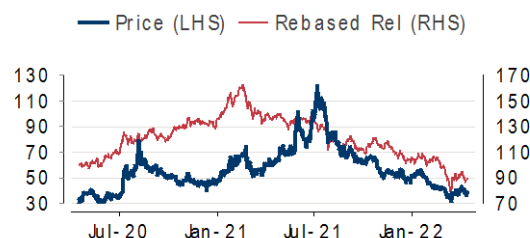
Our blue sky scenario of HK\$45 assumes better-than-expected sales ramp-up of newly launched products and higher revenue and net profit in 2022E. Our EPS forecast for 2022E is thus 10% above our base case. Our blue sky valuation is derived from 14x mid-2023E P/E and -10% stock adjustment factor.

Our Grey Sky Scenario (HK\$)

(from 29.00) **28.00**

Our grey sky scenario of HK\$28 assumes weaker demand on high-ASP products due to the macro slowdown and negative impact from regulatory changes. Our EPS forecast for 2022E is 20% lower than our base case. Our grey sky valuation is derived from 10x mid-2023E P/E and -10% stock adjustment factor.

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14-Apr-2022
On 14-Apr-2022 the spot exchange rate was HK\$7.84/US\$1

Shanghai Haohai Biological Technology

High-end healthcare consumption sensitive to lockdown and consumption sentiment

Personal Products

688366.SS

Target price (12M, Rmb) **89.00**
Neutral^[V]

- **Sell-in pressure in March extending to April.** Due to the lockdown and escalated restriction measures in Shanghai, Jilin province, and other cities in the Yangtze River Delta, Haohai may find continuous sell-in pressure in March to April 2022. Revenue in 2H of March and 1H of April in certain regions was largely erased. If the shutdown extends to late-April to May, demand might be further delayed and downstream clinics will be reluctant to purchase more with inventory buildup in 2Q22.
- **High-end healthcare consumption on a downward spiral.** Individual's demand might be partly delayed and partly vanished due to worsening economic conditions and purchasing power, in our view. Consumers might turn more bearish on job security and disposable income outlook, and hence intend to tighten their belt on discretionary consumption. Generally speaking, the higher the ticket size, the more vulnerable. Among the categories that we cover, clear aligners rank at the top (average ticket size ~Rmb30k), followed by OK lenses (Rmb5-20k), and botox and fillers (Rmb3-8k). The latest [CQI survey](#) results also showed a new low of consumption sentiment in March.
- **Potential price war escalation.** Covid-19 resurgence and lockdowns may broadly accelerate the price decline trend of HA fillers in 2022, in our view. After restriction easing (hopefully in 2Q22), along with a possible sales turnaround in 2Q22 and 2H22, we might see an escalation of price war in the rest of the year. Mid-to-low end HA fillers may sacrifice margin for volume amid intensified competition. On top of that, surging logistics costs and other ad hoc expenses during lockdown may also weigh on margins, in our view.
- **Earnings revision.** HA fillers and OK lenses are subject to the operation status and resumption timing of medical clinics. Besides, high-end products are more sensitive to consumption sentiment. As such, we cut ophthalmology and HA fillers revenue forecast by 2% and 4% for 2022, respectively. Overall revenue is down by 2%, and EPS is hence revised down by 2%. Our target price of Rmb89 for Haohai (A) is based on 38x mid-2023E P/E and a -15% stock adjustment factor. We rate Haohai (A) NEUTRAL due to its fair valuation and lack of short-term catalysts.

Previous target price (12M, Rmb)	101.00
Price (15 Apr 22, Rmb)	85.48
Upside/downside (%)	4.1
Mkt cap (Rmb/US\$ mn)	12,917 / 2,028
Enterprise value (Rmb mn)	11,694
Number of shares (mn)	175.15
Free float (%)	11.9
52-wk price range (Rmb)	273-81.86
ADTO-6M (US\$ mn)	18.8

[V] = Stock Considered Volatile (see Disclosure Appendix)

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Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (Rmb mn)	1,750.1	2,029.3	2,459.8	2,782.2
EBITDA (Rmb mn)	592.7	605.3	721.8	848.7
EBIT (Rmb mn)	291.3	410.4	497.4	597.1
Net profit (Rmb mn)	352.2	446.3	524.2	613.1
EPS (CS adj.) (Rmb)	2.0	2.54	2.98	3.49
Chq. from prev. EPS (%)	n.a.	(1.7)	(2.8)	(3.1)
Consensus EPS (Rmb)	n.a.	2.99	3.67	4.42
EPS growth (%)	54.3	26.7	17.5	16.9
P/E (x)	42.7	33.7	28.7	24.5
Dividend yield (%)	0.8	1.0	1.2	1.4
EV/EBITDA (x)	19.8	19.2	16.1	13.7
P/B (x)	2.63	2.5	2.37	2.23
ROE (%)	6.3	7.6	8.5	9.4
Net debt/equity (%)	(19.8)	(20.1)	(19.2)	(18.8)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15/04/22. On 15/04/22 the spot exchange rate was Rmb6.37/US\$1

Performance	1M	3M	12M
Absolute (%)	(3.7)	(26.9)	(26.7)
Relative (%)	(4.5)	(15.5)	(11.3)

Shanghai Haohai Biological Technology (688366.SS)

Analyst: **Jessie Xu**Rating: **Neutral [V]**Price (15 Apr 2022): **Rmb85.48** Target Price: (from Rmb101.00) **Rmb89.00**

Income Statement (Rmb mn)				
	12/21A	12/22E	12/23E	12/24E
Sales revenue	1,750	2,029	2,460	2,782
Cost of goods sold	490	582	709	807
EBITDA	593	605	722	849
EBIT	291	410	497	597
Net interest expense/(inc.)	(91)	(95)	(97)	(98)
Recurring PBT	383	506	594	695
Profit after tax	347	440	517	604
Reported net profit	352	446	524	613
Net profit (Credit Suisse)	352	446	524	613
Balance Sheet (Rmb mn)				
	12/21A	12/22E	12/23E	12/24E
Cash & cash equivalents	1,284	1,355	1,363	1,411
Current receivables	375	406	443	445
Inventories	355	349	355	404
Other current assets	1,699	1,711	1,729	1,743
Current assets	3,713	3,821	3,889	4,003
Property, plant & equip.	1,197	1,384	1,695	1,983
Investments	625	625	625	625
Intangibles	1,020	982	947	914
Other non-current assets	395	462	521	574
Total assets	6,950	7,274	7,678	8,100
Current liabilities	487	527	597	629
Total liabilities	890	930	1,000	1,032
Total debt	82	82	82	82
Shareholders' equity	5,713	6,004	6,345	6,744
Minority interests	347	341	333	325
Total liabilities & equity	6,950	7,274	7,678	8,100
Cash Flow (Rmb mn)				
	12/21A	12/22E	12/23E	12/24E
EBIT	291	410	497	597
Net interest	(91)	(95)	(97)	(98)
Tax paid	(35)	(66)	(77)	(90)
Working capital	(80)	2	9	(33)
Other cash & non-cash items	258	290	321	349
Operating cash flow	342	542	654	725
Capex	(400)	(300)	(450)	(450)
Free cash flow to the firm	(58)	242	204	275
Investing cash flow	(148)	(315)	(463)	(462)
Equity raised	27	0	0	0
Dividends paid	(123)	(156)	(183)	(214)
Financing cash flow	(231)	(156)	(183)	(214)
Total cash flow	(37)	71	8	49
Adjustments	(7)	0	0	0
Net change in cash	(44)	71	8	49
Per share				
	12/21A	12/22E	12/23E	12/24E
Shares (wtd avg.) (mn)	176	176	176	176
EPS (Credit Suisse) (Rmb)	2.00	2.54	2.98	3.49
DPS (Rmb)	0.70	0.89	1.04	1.22
Operating CFPS (Rmb)	1.95	3.08	3.72	4.12
Earnings				
	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	32.1	16.0	21.2	13.1
EBIT	89.8	40.9	21.2	20.0
EPS	54.3	26.7	17.5	16.9
Margins (%)				
EBITDA	33.9	29.8	29.3	30.5
EBIT	16.6	20.2	20.2	21.5
Valuation (x)				
	12/21A	12/22E	12/23E	12/24E
P/E	42.7	33.7	28.7	24.5
P/B	2.63	2.50	2.37	2.23
Dividend yield (%)	0.8	1.0	1.2	1.4
EV/sales	6.7	5.7	4.7	4.2
EV/EBITDA	19.8	19.2	16.1	13.7
EV/EBIT	40.2	28.4	23.4	19.4
ROE analysis (%)				
	12/21A	12/22E	12/23E	12/24E
ROE	6.3	7.6	8.5	9.4
ROIC	5.6	7.2	8.3	9.3
Credit ratios				
	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	(19.8)	(20.1)	(19.2)	(18.8)
Net debt/EBITDA (x)	(2.03)	(2.10)	(1.77)	(1.57)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Haohai is a leading player in ophthalmology and orthopedics material supplier, and owns one of the leading domestic hyaluronic acid brands in China. Haohai was dual listed on the Shanghai Stock Exchange in 2019.

Blue/Grey Sky Scenario



Our Blue Sky Scenario (Rmb)

(from 116.00) **103.00**

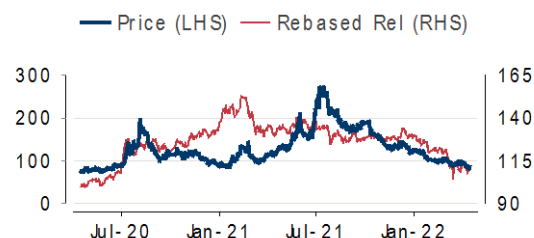
Our blue sky scenario of Rmb103 assumes better-than-expected sales ramp-up of newly launched products and higher revenue and net profit in 2022E. Our EPS forecast for 2022 is thus 10% above our base case. Our blue sky valuation is derived from 42x mid-2023E P/E and a -15% stock adjustment factor.

Our Grey Sky Scenario (Rmb)

(from 82.00) **73.00**

Our grey sky scenario of Rmb73 assumes weaker demand on high-ASP products due to macro slowdown and negative impact from regulatory changes. Our EPS forecast for 2022 is 10% lower than our base case. Our grey sky valuation is derived from 34x mid-2023E P/E and a -15% stock adjustment factor.

Share price performance



The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15-Apr-2022
On 15-Apr-2022 the spot exchange rate was Rmb6.37/US\$1

Haier Smart Home

Most defensive name amid city lockdown in China

Household Durables

600690.SS

Target price (12M, Rmb) **35.20****Outperform**

- **Refrigerator expected to outperform in April; Haier is best-poised amid recent lockdown.** We estimate refrigerator/washing machine/air-con industry retail sales growth to be down 4%/10%/11% in April 2022. Haier's significant revenue/OP exposure to refrigerator (32%/39%, higher than 10%/9% for Midea, and LSD%/LSD% for Gree) places the company as most defensive, thanks to residents' incremental at-home food stocking demand. Meanwhile, Haier's lower exposure to air-conditioners also prevents the company from industry wide sales decline amid stringent community controls. Haier's strong brand traction further expanded its top 1 market share on refrigerator to 40.6%/39.5% (online/offline), up 0.5/1.5pp YoY during 1 Jan-10 Apr 2022, according to AVC, and to 42.9%/39.2% (online/offline) for washing machine, up 4.0/2.2pp YoY.
- **418 shopping festival, Labour Day holiday and 618 to be near-term catalysts.** If the community lockdown is lifted before May, we can reasonably expect some pent-up demand releasing during the Labour Day, especially given a relatively low base in 2021 (white goods industry sales growth in May-2021: - 8% YoY). We reckon 3%/1%/5% YoY for air-con/WM/refrigerator industry in China during May 2022, and Haier can still outperform among our covered names.
- **Trim 2022E EPS to reflect impacted consumption confidence.** We slightly trim its 2022 revenue growth by 0.9 pp hit by recent cities lockdown, and lower 2022 GPM estimate for washing machine by 0.2 pp to reflect potential industry-wide price hike obstacles, resulting in a 2022E EPS cut of 1%. We trim our DCF-based Haier (A) TP to Rmb35.2 (from Rmb36.5), which implies 21x 2022/23E EPS, at 2x std. above its five-year historical average.
- **Top pick among home appliance space.** We reiterate OUTPERFORM backed by: (1) its larger revenue/OP exposure to refrigerators amid recent at-home food stocking demand in China due to pandemic lockdown concerns; (2) Casarte AC sales acceleration backed by core technology enhancement, and AC OPM expansion by 1-2pp in 2022.

Previous target price (12M, Rmb)	36.50
Price (15 Apr 22, Rmb)	24.65
Upside/downside (%)	42.8
Mkt cap (Rmb/US\$ mn)	219,188 / 34,407
Enterprise value (Rmb mn)	193,286
Number of shares (mn)	9,176
Free float (%)	45.1
52-wk price range (Rmb)	33.13-20.77
ADTO-6M (US\$ mn)	161.7

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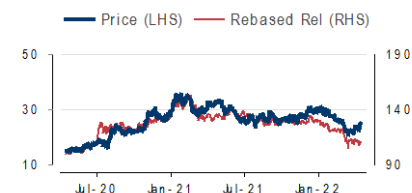
jesalyn.wong@credit-suisse.com

Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (Rmb mn)	226,749	244,674	262,612	281,487
EBITDA (Rmb mn)	19,972.3	22,548.0	26,720.9	30,008.0
EBIT (Rmb mn)	14,911.0	17,291.1	21,078.5	23,960.2
Net profit (Rmb mn)	13,067.0	15,104.7	18,112.4	20,376.4
EPS (CS adj.) (Rmb)	1.4	1.62	1.94	2.18
Chq. from prev. EPS (%)	n.a.	(0.7)	(0.3)	(0.3)
Consensus EPS (Rmb)	n.a.	1.62	1.88	2.16
EPS growth (%)	7.2	15.6	19.9	12.5
P/E (x)	17.6	15.2	12.7	11.3
Dividend yield (%)	1.9	2.6	3.1	3.5
EV/EBITDA (x)	9.9	8.1	6.3	5.3
P/B (x)	2.9	2.56	2.26	2.0
ROE (%)	17.8	17.7	18.7	18.7
Net debt/equity (%)	(26.7)	(39.2)	(48.0)	(51.5)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15/04/22. On 15/04/22 the spot exchange rate was Rmb6.37/US\$1

Performance	1M	3M	12M
Absolute (%)	14.3	(13.0)	(21.7)
Relative (%)	13.5	(1.6)	(6.4)

Haier Smart Home (600690.SS / 600690 CH)

Price (15 Apr 2022): **Rmb24.65** Target Price: (from Rmb36.50) **Rmb35.20**

Analyst: **Harriet Liu**

Rating: **Outperform**

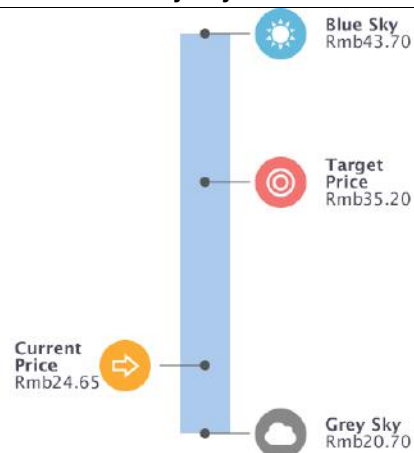
Income Statement (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Sales revenue	226,749	244,674	262,612	281,487
Cost of goods sold	156,483	168,455	179,340	191,710
EBITDA	19,972	22,548	26,721	30,008
EBIT	14,911	17,291	21,079	23,960
Net interest expense/(inc.)	109	436	440	444
Recurring PBT	15,916	18,398	22,061	24,819
Profit after tax	13,217	15,278	18,320	20,610
Reported net profit	13,067	15,105	18,112	20,376
Net profit (Credit Suisse)	13,067	15,105	18,112	20,376
Balance Sheet (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Cash & cash equivalents	45,857	60,383	74,496	85,093
Current receivables	27,986	29,663	32,932	34,162
Inventories	39,863	36,749	39,900	42,036
Other current assets	9,902	10,124	10,346	10,581
Current assets	123,608	136,920	157,675	171,872
Property, plant & equip.	26,515	30,264	34,289	38,602
Investments	28,081	28,081	28,081	28,081
Intangibles	31,377	30,399	29,350	28,225
Other non-current assets	7,879	7,898	7,917	7,935
Total assets	217,459	233,562	257,311	274,714
Current liabilities	124,797	128,030	139,112	142,742
Total liabilities	136,377	141,522	152,992	157,030
Total debt	24,223	24,327	24,432	24,537
Shareholders' equity	79,811	90,595	102,666	115,797
Minority interests	1,272	1,445	1,653	1,887
Total liabilities & equity	217,460	233,563	257,311	274,715
Cash Flow (Rmb mn)	12/21A	12/22E	12/23E	12/24E
EBIT	14,911	17,291	21,079	23,960
Net interest	(565)	(550)	(550)	(550)
Tax paid	(1,922)	(3,106)	(3,727)	(4,194)
Working capital	5,366	4,342	4,336	(76)
Other cash & non-cash items	5,339	5,768	4,498	4,794
Operating cash flow	23,130	23,744	25,636	23,935
Capex	(7,372)	(7,955)	(8,538)	(9,152)
Free cash flow to the firm	15,757	15,789	17,097	14,783
Investing cash flow	(8,067)	(5,002)	(5,585)	(6,199)
Equity raised	42	0	0	0
Dividends paid	(4,018)	(4,320)	(6,042)	(7,245)
Financing cash flow	(15,641)	(4,216)	(5,937)	(7,140)
Total cash flow	(579)	14,526	14,113	10,596
Adjustments	721	899	826	826
Net change in cash	142	15,425	14,940	11,422
Per share	12/21A	12/22E	12/23E	12/24E
Shares (wtd avg.) (mn)	9,334	9,334	9,334	9,334
EPS (Credit Suisse) (Rmb)	1.40	1.62	1.94	2.18
DPS (Rmb)	0.46	0.64	0.77	0.87
Operating CFPS (Rmb)	2.48	2.54	2.75	2.56
Earnings	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	8.5	7.9	7.3	7.2
EBIT	35.0	16.0	21.9	13.7
EPS	7.2	15.6	19.9	12.5
Margins (%)				
EBITDA	8.8	9.2	10.2	10.7
EBIT	6.6	7.1	8.0	8.5
Valuation (x)	12/21A	12/22E	12/23E	12/24E
P/E	17.6	15.2	12.7	11.3
P/B	2.90	2.56	2.26	2.00
Dividend yield (%)	1.9	2.6	3.1	3.5
EV/sales	0.9	0.7	0.6	0.6
EV/EBITDA	9.9	8.1	6.3	5.3
EV/EBIT	13.2	10.6	8.0	6.6
ROE analysis (%)	12/21A	12/22E	12/23E	12/24E
ROE	17.8	17.7	18.7	18.7
ROIC	21.6	24.9	31.8	35.7
Credit ratios	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	(26.7)	(39.2)	(48.0)	(51.5)
Net debt/EBITDA (x)	(1.08)	(1.60)	(1.87)	(2.02)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Haier Smart Home is a Chinese collective multinational company headquartered in Qingdao. It manufactures and sells electronics and home appliances including air conditioners, mobile phones, microwaves, washing machines, refrigerators and televisions.

Blue/Grey Sky Scenario



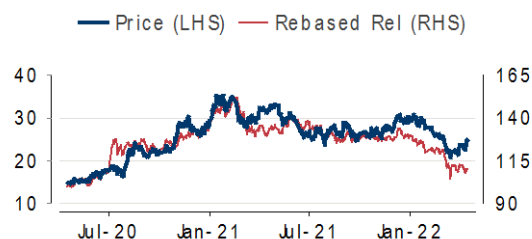
Our Blue Sky Scenario (Rmb) (from 45.50) 43.70

Our blue sky scenario implies fair value of Rmb43.7, assuming the stock reverts to 25x 2022E P/E on margin expansion, stronger-than-expected replacement demand and solid recovery in the overseas market.

Our Grey Sky Scenario (Rmb) (from 22.20) 20.70

Our grey sky scenario implies fair value of Rmb20.7, based on 14x 2022E P/E on moderate demand recovery and slower overseas demand.

Share price performance



The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15-Apr-2022
On 15-Apr-2022 the spot exchange rate was Rmb6.37/US\$1

Haier Smart Home

Most defensive name amid city lockdown in China

Household Durables

6690.HK

Target price (12M, HK\$) 42.20

Outperform

- **Refrigerator expected to outperform in April; Haier is best-poised amid recent lockdown.** We estimate refrigerator/washing machine/air-con industry retail sales growth to be down 4%/10%/11% in April, 2022. Haier's significant revenue/OP exposure to refrigerator (32%/39%, higher than 10%/9% for Midea, and LSD%/LSD% for Gree) places the company as most defensive, thanks to residents' incremental at-home food stocking demand. Meanwhile, Haier's lower exposure to air-conditioners also prevents the company from the industry-wide sales decline amid stringent community controls. Haier's strong brand traction further expanded its top 1 market share on refrigerator to 40.6%/39.5% (online/offline), up 0.5/1.5pp YoY during 1 Jan-10 Apr 2022, according to AVC, and to 42.9%/39.2% (online/offline) for washing machine, up 4.0/2.2pp YoY.
- **418 shopping festival, Labour Day holiday and 618 to be near-term catalysts.** If community lockdown is lifted before May, we can reasonably expect some pent-up demand releasing during the Labour Day holiday, especially given a relatively low base in 2021 (white goods industry sales growth in May2021: -8% YoY). We reckon 3%/1%/5% YoY for air-con/WM/refrigerator industry in China during May 2022, and Haier can still outperform among our covered names.
- **Trim 2022E EPS to reflect impacted consumption confidence.** We slightly trim its 2022 revenue growth by 0.9 pp hit by the recent city lockdowns, and lower 2022 GPM estimate for washing machine by 0.2pp to reflect potential industry-wide price hike obstacles, resulting in a 2022E EPS cut by 1%. We trim our DCF-based Haier (H) TP to HK\$42.2 (from HK\$43.8) accordingly, which implies 21x 2022/23E EPS, at 2x std. above its five-year historical average.
- **Top pick among home appliance space.** We reiterate OUTPERFORM backed by: (1) its larger revenue/OP exposure to refrigerators amid recent at-home food stocking demand in China due to pandemic lockdown concerns; and (2) Casarte AC sales acceleration backed by core technology enhancement, and AC OPM expansion by 1-2pp in 2022.

Previous target price (12M, HK\$)	43.80
Price (14 Apr 22, HK\$)	27.35
Upside/downside (%)	54.3
Mkt cap (HK\$/US\$ mn)	269,883 / 34,407
Enterprise value (Rmb mn)	193,286
Number of shares (mn)	9,176
Free float (%)	45.1
52-wk price range (HK\$)	34.25-22.25
ADTO-6M (US\$ mn)	30.0

Research Analysts

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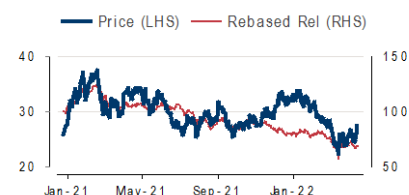
jesalyn.wong@credit-suisse.com

Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (Rmb mn)	226,749	244,674	262,612	281,487
EBITDA (Rmb mn)	19,972.3	22,548.0	26,720.9	30,008.0
EBIT (Rmb mn)	14,911.0	17,291.1	21,078.5	23,960.2
Net profit (Rmb mn)	13,067.0	15,104.7	18,112.4	20,376.4
EPS (CS adj.) (Rmb)	1.4	1.62	1.94	2.18
Chq. from prev. EPS (%)	n.a.	(0.7)	(0.3)	(0.3)
Consensus EPS (Rmb)	n.a.	1.64	1.9	2.13
EPS growth (%)	7.2	15.6	19.9	12.5
P/E (x)	15.9	13.7	11.4	10.2
Dividend yield (%)	2.1	2.9	3.5	3.9
EV/EBITDA (x)	9.9	8.1	6.3	5.3
P/B (x)	2.62	2.3	2.03	1.8
ROE (%)	17.8	17.7	18.7	18.7
Net debt/equity (%)	(26.7)	(39.2)	(48.0)	(51.5)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14/04/22. On 14/04/22 the spot exchange rate was HK\$7.84/US\$1

Performance	1M	3M	12M
Absolute (%)	22.9	(14.1)	(16.4)
Relative (%)	2.7	2.2	18.5

Haier Smart Home (6690.HK)

Price (14 Apr 2022): **HK\$27.35** Target Price: (from HK\$43.80) **HK\$42.20**

Analyst: **Harriet Liu**

Rating: **Outperform**

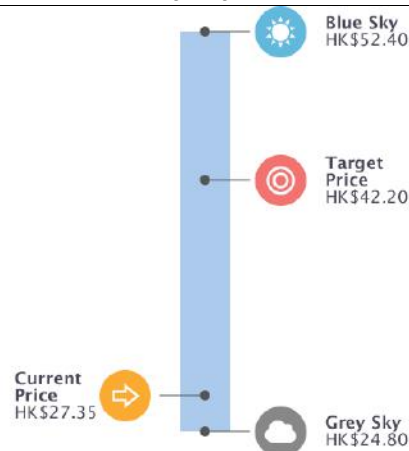
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Current receivables	27,986	29,663	32,932	34,162
Inventories	39,863	36,749	39,900	42,036
Other current assets	9,902	10,124	10,346	10,581
Current assets	123,608	136,920	157,675	171,872
Property, plant & equip.	26,515	30,264	34,289	38,602
Investments	28,081	28,081	28,081	28,081
Intangibles	31,377	30,399	29,350	28,225
Other non-current assets	7,879	7,898	7,917	7,935
Total assets	217,459	233,562	257,311	274,714
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EBIT	14,911	17,291	21,079	23,960
Net interest	(565)	(550)	(550)	(550)
Tax paid	(1,922)	(3,106)	(3,727)	(4,194)
Working capital	5,366	4,342	4,336	(76)
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Equity raised	42	0	0	0
Dividends paid	(4,018)	(4,320)	(6,042)	(7,245)
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Total cash flow	(579)	14,526	14,113	10,596
Adjustments	721	899	826	826
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Per share	12/21A	12/22E	12/23E	12/24E
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EPS (Credit Suisse) (Rmb)	1.40	1.62	1.94	2.18
DPS (Rmb)	0.46	0.64	0.77	0.87
Operating CFPS (Rmb)	2.48	2.54	2.75	2.56
Earnings	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	8.5	7.9	7.3	7.2
EBIT	35.0	16.0	21.9	13.7
EPS	7.2	15.6	19.9	12.5
Margins (%)				
EBITDA	8.8	9.2	10.2	10.7
EBIT	6.6	7.1	8.0	8.5
Valuation (x)	12/21A	12/22E	12/23E	12/24E
P/E	15.9	13.7	11.4	10.2
P/B	2.62	2.30	2.03	1.80
Dividend yield (%)	2.1	2.9	3.5	3.9
EV/sales	0.9	0.7	0.6	0.6
EV/EBITDA	9.9	8.1	6.3	5.3
EV/EBIT	13.2	10.6	8.0	6.6
ROE analysis (%)	12/21A	12/22E	12/23E	12/24E
ROE	17.8	17.7	18.7	18.7
ROIC	21.6	24.9	31.8	35.7
Credit ratios	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	(26.7)	(39.2)	(48.0)	(51.5)
Net debt/EBITDA (x)	(1.08)	(1.60)	(1.87)	(2.02)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Haier Smart Home is a Chinese collective multinational company headquartered in Qingdao. It manufactures and sells electronics and home appliances including air conditioners, mobile phones, microwaves, washing machines, refrigerators and televisions.

Blue/Grey Sky Scenario



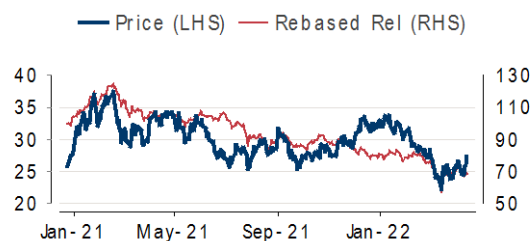
Our Blue Sky Scenario (HK\$) (from 54.60) 52.40

Our blue sky scenario implies a fair value of HK\$52.4, assuming the stock rerates to 25x 2022E P/E on margin expansion, stronger-than-expected replacement demand and solid recovery in the overseas market.

Our Grey Sky Scenario (HK\$) (from 26.60) 24.80

Our grey sky scenario implies a fair value of HK\$24.8, based on 14x 2022E P/E on moderate demand recovery and slower overseas demand.

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14-Apr-2022

On 14-Apr-2022 the spot exchange rate was HK\$7.84/US\$1

Midea Group

Hindered air-con retail ASP growth in April

Household Durables

000333.SZ

Target price (12M, Rmb) **90.20****Outperform**

- **Refrigerator expected to outperform in April.** We estimate refrigerator/washing machine/air-con China industry retail sales to be down 4%/10%/12% in April 2022. Given Midea's refrigerator revenue/OP mix at 10%/9%, it can benefit from residents' incremental at-home food stocking demand. However, Midea's large revenue/OP exposure to air-con at 41%/60% (2021E) drags its performance during the lockdown period, as air-con requires indoor installation by professional workers.
- **Hindered air-con retail ASP hike suggesting distributors have muted demand for peak season channel restocking.** The price hike led by Midea is the main story for AC in 2022, given the raw material price swinging at a high level and a more benign competition landscape. Midea's 1Q22 air-con ASP was up by 13% YoY (vs. industry's 11%). However, Week 2 in April was flat YoY, due to more active promotions amid the lockdown and sluggish offline foot traffic, in our view. This suggests offline distributors' squeezed margin as ex-factory price hike is still intact for AC during 1Q22 (10%/4% in Jan/Mar according to our channel check). We expect AC distributors to be more cautious for the upcoming peak season with respect to channel restocking.
- **Upcoming shopping festivals and Old-for-New programme could be near-term catalysts.** If community lockdown is lifted before May, we can reasonably expect some pent-up demand releasing during the Labour Day holiday. In addition, starting from 2022, the China Household Electrical Appliances Service and Maintenance Association plans to roll out Old-for-New programme for AC, TV, fridge, WM and computer to stimulate demand. Government and manufacturers will provide subsidies to consumers. The event will be launched in early May and is expected to cover 20 provinces or cities. By riding on the programme, we expect Midea to enhance its green recycling campaign launched since 28-Mar-2022 and effectively drive demand.
- **Maintain OUTPERFORM.** We trim its revenue growth by 1.0pp, and lower 2022E/23E OPM by 0.3/0.6pp to reflect Midea's higher-than-expected R&D ratio to support its product mix upgrade target and higher exposure to high-technology B2B business, resulting 2022/23E EPS cut by 4%/6%. We lower DCF-based TP to Rmb90.2 (from Rmb99.0).

Previous target price (12M, Rmb)	99.00
Price (15 Apr 22, Rmb)	58.65
Upside/downside (%)	53.8
Mkt cap (Rmb/US\$ mn)	409,581 / 64,293
Enterprise value (Rmb mn)	395,902
Number of shares (mn)	6,983
Free float (%)	55.4
52-wk price range (Rmb)	84.33-54.40
ADTO-6M (US\$ mn)	323.6

Research Analysts

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Financial and valuation metrics

Year	12/20A	12/21E	12/22E	12/23E
Revenue (Rmb mn)	284,176	329,663	352,716	380,160
EBITDA (Rmb mn)	29,339.5	32,843.1	34,956.7	39,097.7
EBIT (Rmb mn)	24,319.3	27,234.4	29,555.4	33,276.2
Net profit (Rmb mn)	27,223.0	28,368.9	32,238.0	35,816.8
EPS (CS adj.) (Rmb)	3.9	4.01	4.56	5.06
Chq. from prev. EPS (%)	n.a.	0.0	(3.8)	(6.2)
Consensus EPS (Rmb)	n.a.	4.09	4.75	5.44
EPS growth (%)	9.2	2.7	13.6	11.1
P/E (x)	15.0	14.6	12.9	11.6
Dividend yield (%)	2.7	3.3	3.8	4.2
EV/EBITDA (x)	14.2	12.2	11.0	9.2
P/B (x)	3.51	3.13	2.8	2.5
ROE (%)	24.8	22.8	23.1	22.9
Net debt/equity (%)	5.3	(6.2)	(16.7)	(29.2)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15/04/22. On 15/04/22 the spot exchange rate was Rmb6.37/US\$1

Performance	1M	3M	12M
Absolute (%)	2.9	(18.5)	(26.9)
Relative (%)	2.1	(7.2)	(11.6)

Midea Group (000333.SZ / 000333 CH)

Price (15 Apr 2022): **Rmb58.65** Target Price: (from Rmb99.00) **Rmb90.20**

Analyst: **Harriet Liu**

Rating: **Outperform**

Income Statement (Rmb mn)				
Sales revenue	12/20A	12/21E	12/22E	12/23E
284,176	329,663	352,716	380,160	
Cost of goods sold	212,952	249,353	266,903	287,199
EBITDA	29,340	32,843	34,957	39,098
EBIT	24,319	27,234	29,555	33,276
Net interest expense/(inc.)	(2,357)	(3,127)	(3,995)	(4,709)
Recurring PBT	31,664	32,910	37,398	41,550
Profit after tax	27,507	28,664	32,574	36,190
Reported net profit	27,223	28,369	32,238	35,817
Net profit (Credit Suisse)	27,223	28,369	32,238	35,817
Balance Sheet (Rmb mn)				
Cash & cash equivalents	52,643	68,996	87,676	113,560
Current receivables	42,185	45,424	43,480	52,342
Inventories	34,313	38,064	36,484	43,732
Other current assets	112,515	119,651	120,116	120,670
Current assets	241,655	272,135	287,756	330,304
Property, plant & equip.	23,717	24,046	24,371	24,720
Investments	28,124	28,567	29,054	29,590
Intangibles	44,980	44,217	43,359	42,434
Other non-current assets	21,907	22,068	22,508	23,000
Total assets	360,383	391,033	407,047	450,048
Current liabilities	184,151	198,656	197,117	220,752
Total liabilities	236,146	252,197	252,256	277,542
Total debt	59,169	60,454	61,777	63,140
Shareholders' equity	117,516	131,819	147,439	164,780
Minority interests	6,721	7,016	7,352	7,725
Total liabilities & equity	360,383	391,033	407,047	450,048
Cash Flow (Rmb mn)				
EBIT	12/20A	12/21E	12/22E	12/23E
24,319	27,234	29,555	33,276	
Net interest	0	0	0	0
Tax paid	(4,267)	(4,302)	(4,912)	(5,483)
Working capital	5,306	4,577	2,577	2,572
Other cash & non-cash items	3,671	4,939	9,095	15,247
Operating cash flow	29,030	32,448	36,316	45,613
Capex	(5,702)	(4,945)	(4,867)	(5,246)
Free cash flow to the firm	23,328	27,503	31,449	40,367
Investing cash flow	(35,311)	(3,874)	(2,694)	(2,997)
Equity raised	0	0	0	0
Dividends paid	(12,823)	(11,066)	(13,618)	(15,475)
Financing cash flow	(756)	(12,782)	(15,295)	(17,112)
Total cash flow	(7,037)	15,793	18,327	25,503
Adjustments	(383)	0	0	0
Net change in cash	(7,420)	15,793	18,327	25,503
Per share				
Shares (wtd avg.) (mn)	12/20A	12/21E	12/22E	12/23E
6,972	7,075	7,075	7,075	
EPS (Credit Suisse) (Rmb)	3.90	4.01	4.56	5.06
DPS (Rmb)	1.60	1.94	2.20	2.45
Operating CFPS (Rmb)	4.16	4.59	5.13	6.45
Earnings				
Growth (%)	12/20A	12/21E	12/22E	12/23E
Sales revenue	2.3	16.0	7.0	7.8
EBIT	(5.9)	12.0	8.5	12.6
EPS	9.2	2.7	13.6	11.1
Margins (%)				
EBITDA	10.3	10.0	9.9	10.3
EBIT	8.6	8.3	8.4	8.8
Valuation (x)				
P/E	12/20A	12/21E	12/22E	12/23E
15.0	14.6	12.9	11.6	
P/B	3.51	3.13	2.80	2.50
Dividend yield (%)	2.7	3.3	3.8	4.2
EV/sales	1.5	1.2	1.1	0.9
EV/EBITDA	14.2	12.2	11.0	9.2
EV/EBIT	17.1	14.7	13.0	10.8
ROE analysis (%)				
ROE	12/20A	12/21E	12/22E	12/23E
24.8	22.8	23.1	22.9	
ROIC	17.8	18.2	19.9	23.1
Credit ratios				
Net debt/equity (%)	12/20A	12/21E	12/22E	12/23E
5.3	(6.2)	(16.7)	(29.2)	
Net debt/EBITDA (x)	0.22	(0.26)	(0.74)	(1.29)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Midea Group is a Chinese electrical appliance manufacturer, headquartered in Shunde, Guangdong. It produces a wide range of lighting, water appliances, floor care, small kitchen, laundry, large cooking, and refrigeration appliances.

Blue/Grey Sky Scenario



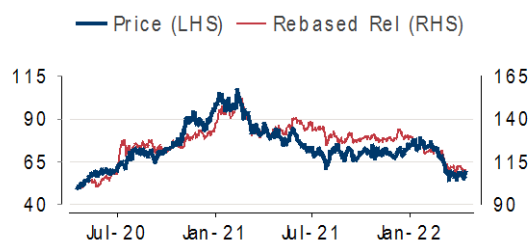
Our Blue Sky Scenario (Rmb) (from 120.00) 103.00

Our blue sky scenario suggests a valuation of Rmb103.0, based on 22x 2022E P/E and 17% EPS growth in 2022E driven by stronger demand recovery, stimulus policy and margin improvement.

Our Grey Sky Scenario (Rmb) (from 62.00) 53.00

Our grey sky scenario suggests a valuation of Rmb53.0 implying the stock derates to 12x 2022E P/E, against 10% EPS growth in 2022E given weaker demand from the property market and fiercer market competition.

Share price performance



The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15-Apr-2022
On 15-Apr-2022 the spot exchange rate was Rmb6.37/US\$1

Gree Electric

A near-term laggard amid Covid-19 driven lockdown

Household Durables

000651.SZ

Target price (12M, Rmb) 46.10

Outperform

- **Air-con performance expected to lag in April.** We estimate China industry retail sales for air-con (-12% YoY) to lag behind refrigerator/washing machine (-4%/-10%) in April, 2022, as air-con requires indoor installation by professional workers, which is prohibited during a stringent community control. Given Gree's significant OP contribution from air-con (93%), we think Gree will be a laggard among the top three players in the near term.
- **Hindered air-con retail ASP hike suggesting distributors muted demand for peak season channel restocking.** Price hike is the main story for AC in 2022, given the raw material price swinging at a high level and a more benign competitive landscape. Gree's 1Q22 air-con ASP was up by 8% YoY (vs. the industry's 11%). However, Week 2 in April saw a narrowed growth of flat 2% YoY, due to more promotions amid the lockdown and sluggish offline foot traffic. This suggests offline distributors' squeezed margin as the ex-factory price hike is still intact for AC during 4M 2022 (3%/2%/3% in Jan/Feb/Apr) according to our channel check). We expect AC distributors to be more cautious for the upcoming peak season with respect to channel restocking.
- **Upcoming shopping festivals and Old-for-New programme to be near-term catalysts.** If community lockdown is lifted before May, we can reasonably expect some pent-up demand releasing during the Labour Day holiday. In addition, starting from 2022, the China Household Electrical Appliances Service and Maintenance Association plans to roll out Old-for-New programme for AC, TV, fridge, WM and computer to stimulate demand. Government and manufacturers will provide subsidies to consumers. The event will be launched in early May and is expected to cover 20 provinces or cities.
- **Maintain OUTPERFORM.** Given Gree's higher AC exposure which suffers from city lockdown, we lower Gree's 2022 AC sales growth from 8.0% YoY to 5.8%, resulting in a 2022E EPS cut by 2%, and we lower our DCF-based TP to Rmb46.1 (from Rmb49.0), implying 10x blended 2022/23E P/E. We maintain OUTPERFORM given its attractive risk-reward and property policy relaxation outlook in China.

Previous target price (12M, Rmb)	49.00
Price (15 Apr 22, Rmb)	32.38
Upside/downside (%)	42.4
Mkt cap (Rmb/US\$ mn)	191,511 / 30,062
Enterprise value (Rmb mn)	81,258
Number of shares (mn)	5,914
Free float (%)	72.8
52-wk price range (Rmb)	60.88-31.20
ADTO-6M (US\$ mn)	320.7

Research Analysts

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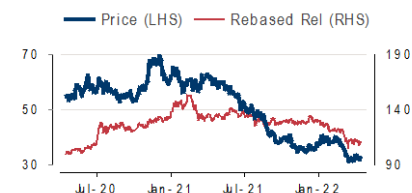
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Financial and valuation metrics

Year	12/20A	12/21E	12/22E	12/23E
Revenue (Rmb mn)	169,533	187,201	200,864	215,129
EBITDA (Rmb mn)	25,887.9	27,518.4	29,709.2	33,223.0
EBIT (Rmb mn)	22,299.2	24,652.7	26,873.9	30,186.4
Net profit (Rmb mn)	22,175.1	24,300.9	26,164.0	28,974.6
EPS (CS adj.) (Rmb)	3.71	4.16	4.64	5.14
Chq. from prev. EPS (%)	n.a.	0.0	(1.5)	0.1
Consensus EPS (Rmb)	n.a.	3.89	4.44	5.01
EPS growth (%)	(9.6)	12.2	11.6	10.7
P/E (x)	8.7	7.8	7.0	6.3
Dividend yield (%)	12.4	10.2	10.9	12.1
EV/EBITDA (x)	3.0	2.9	2.8	2.2
P/B (x)	1.69	1.65	1.56	1.46
ROE (%)	19.7	21.0	21.9	22.8
Net debt/equity (%)	(97.3)	(94.0)	(87.4)	(88.0)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15/04/22. On 15/04/22 the spot exchange rate was Rmb6.37/US\$1

Performance	1M	3M	12M
Absolute (%)	2.0	(15.3)	(46.5)
Relative (%)	1.2	(4.0)	(31.1)

Gree Electric (000651.SZ / 000651 CH)

Price (15 Apr 2022): **Rmb32.38** Target Price: (from Rmb49.00) **Rmb46.10**

Analyst: **Harriet Liu**

Rating: **Outperform**

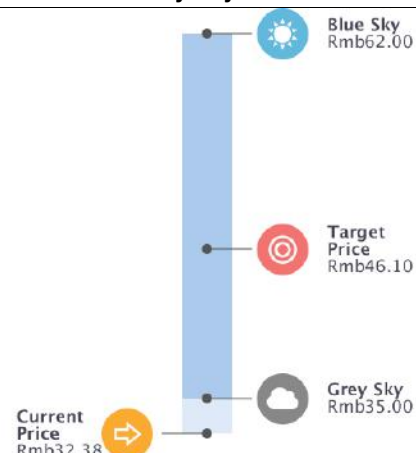
Income Statement (Rmb mn)	12/20A	12/21E	12/22E	12/23E
Sales revenue	169,533	187,201	200,864	215,129
Cost of goods sold	124,534	139,101	149,032	158,340
EBITDA	25,888	27,518	29,709	33,223
EBIT	22,299	24,653	26,874	30,186
Net interest expense/(inc.)	(2,620)	(2,490)	(2,416)	(2,373)
Recurring PBT	26,309	28,840	31,052	34,387
Profit after tax	22,279	24,423	26,295	29,120
Reported net profit	22,175	24,301	26,164	28,975
Net profit (Credit Suisse)	22,175	24,301	26,164	28,975
Balance Sheet (Rmb mn)	12/20A	12/21E	12/22E	12/23E
Cash & cash equivalents	136,413	133,487	131,767	139,758
Current receivables	29,859	29,070	30,262	32,411
Inventories	27,880	27,747	28,917	30,727
Other current assets	19,481	19,516	19,846	20,094
Current assets	213,633	209,819	210,792	222,990
Property, plant & equip.	23,007	25,388	28,184	31,178
Investments	18,877	18,913	18,948	18,983
Intangibles	5,878	6,213	6,573	6,958
Other non-current assets	17,823	19,211	20,747	22,450
Total assets	279,218	279,545	285,244	302,559
Current liabilities	158,479	157,732	156,503	165,551
Total liabilities	162,337	161,662	160,506	169,632
Total debt	22,726	22,726	22,726	22,726
Shareholders' equity	115,190	116,071	122,794	130,838
Minority interests	1,690	1,812	1,944	2,089
Total liabilities & equity	279,218	279,545	285,244	302,559
Cash Flow (Rmb mn)	12/20A	12/21E	12/22E	12/23E
EBIT	22,299	24,653	26,874	30,186
Net interest	(3,117)	(3,819)	(3,746)	(3,703)
Tax paid	(3,958)	(4,809)	(5,168)	(5,699)
Working capital	(8,345)	7,038	(244)	910
Other cash & non-cash items	12,360	(1,505)	1,548	9,240
Operating cash flow	19,239	21,558	19,264	30,934
Capex	(4,529)	(5,583)	(5,990)	(6,415)
Free cash flow to the firm	14,710	15,975	13,274	24,519
Investing cash flow	98	(1,063)	(1,544)	(2,012)
Equity raised	0	0	0	0
Dividends paid	(14,236)	(23,420)	(19,441)	(20,931)
Financing cash flow	(21,111)	(23,420)	(19,441)	(20,931)
Total cash flow	(1,775)	(2,926)	(1,720)	7,991
Adjustments	(372)	0	0	0
Net change in cash	(2,148)	(2,926)	(1,720)	7,991
Per share	12/20A	12/21E	12/22E	12/23E
Shares (wtd avg.) (mn)	5,977	5,838	5,634	5,634
EPS (Credit Suisse) (Rmb)	3.71	4.16	4.64	5.14
DPS (Rmb)	4.00	3.29	3.54	3.92
Operating CFPS (Rmb)	3.22	3.69	3.42	5.49
Earnings	12/20A	12/21E	12/22E	12/23E
Growth (%)				
Sales revenue	(14.8)	10.4	7.3	7.1
EBIT	(18.5)	10.6	9.0	12.3
EPS	(9.6)	12.2	11.6	10.7
Margins (%)				
EBITDA	15.3	14.7	14.8	15.4
EBIT	13.2	13.2	13.4	14.0
Valuation (x)	12/20A	12/21E	12/22E	12/23E
P/E	8.7	7.8	7.0	6.3
P/B	1.69	1.65	1.56	1.46
Dividend yield (%)	12.4	10.2	10.9	12.1
EV/sales	0.5	0.4	0.4	0.3
EV/EBITDA	3.0	2.9	2.8	2.2
EV/EBIT	3.5	3.3	3.1	2.5
ROE analysis (%)	12/20A	12/21E	12/22E	12/23E
ROE	19.7	21.0	21.9	22.8
ROIC	525.7	404.8	199.5	161.8
Credit ratios	12/20A	12/21E	12/22E	12/23E
Net debt/equity (%)	(97.3)	(94.0)	(87.4)	(88.0)
Net debt/EBITDA (x)	(4.39)	(4.02)	(3.67)	(3.52)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Gree Electric Appliances Inc. of Zhuhai is a major appliance manufacturer headquartered in Zhuhai, Guangdong. It is the world's largest residential air-conditioner manufacturer. The company offers household air conditioners and commercial ACs.

Blue/Grey Sky Scenario



Our Blue Sky Scenario (Rmb)

62.00

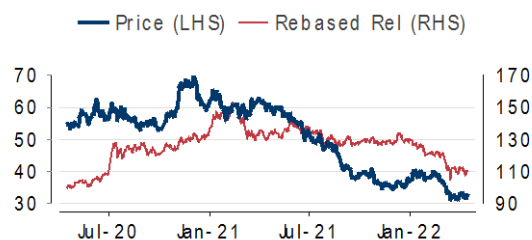
Our blue sky scenario valuation of Rmb62.0 assumes stronger recovery in domestic air-con demand and a successful channel reform to drive Gree's market share gain. The fair equity value under the blue sky scenario would be based on 13x 2022E P/E and 2022E EPS of Rmb4.8.

Our Grey Sky Scenario (Rmb)

35.00

Our grey sky scenario valuation of Rmb35.0 assumes weaker demand recovery in 2022. In addition, Gree continues to lose market share due to slower-than-expected channel reform. The fair equity value under our grey sky scenario is based on 8.0x 2022E P/E and 2022E EPS of Rmb4.4.

Share price performance



The price relative chart measures performance against the Shanghai Shenzhen CSI300 index which closed at 4,188.75 on 15-Apr-2022
On 15-Apr-2022 the spot exchange rate was Rmb6.37/US\$1

Smooore Intl Hldg

Flavour ban to dampen China's demand

Tobacco

6969.HK

Target price (12M, HK\$) 24.70

Outperform^[V]

- **Expecting a 60% decline YoY for China.** China's second draft of National Standard and administrative measures of e-cigarettes bans all flavours and will come into effect on 1 May 2022. Given the flavours ban, we believe the uptake of e-cigarettes in China will be much slower although e-cigarettes still have other advantages over traditional tobacco, such as harm reduction and cost-efficiency. Coupled with Covid-19 lockdowns, we lower our China revenue estimates to -60% YoY from -57% YoY in 2022, before returning to +30% YoY in 2023. Overseas expansion should be on track, in our view, as the company deepens collaboration with leading e-cigarette players, and launches more differentiated products.
- **Still a dominant OEM player...** China produces roughly 90% of global vaping devices and Smooore has ~20% market share. As the OEM market remained fragmented (CR5 at 33%), Smooore is set for further market share gain with its differentiated product and R&D edge. Against peers, its more diversified geographical portfolio positions Smooore to be a relatively more defensive play.
- **...with a solid customer portfolio.** Smooore manufactures four of the top five vaping brands in the world. Their collective market share more than quadrupled between 2016 and 2020, from 4.8% to 19.7%, according to Euromonitor. Vuse has seen the fastest global market share gain from entering the market in 2016 to 9.0% in 2020, driven by strong share gains in the US. Over the last three years, Vuse's market share climbed from 12% to 31%, whereas JUUL's market share declined 33% from its historical high of 75%
- **Maintain OUTPERFORM.** While the structural risk of the e-cigarette industry in China remains clear and we are cautious on the industry, Smooore is our top pick given its dominant market positioning, geographical diversification, solid customer portfolio. We lower our DCF target price to HK\$24.70 (from HK\$30.20) and we factor in a higher risk for the business.

Previous target price (12M, HK\$)	30.20
Price (14 Apr 22, HK\$)	18.46
Upside/downside (%)	33.8
Mkt cap (HK\$/US\$ mn)	110,951 / 14,145
Enterprise value (Rmb mn)	78,888
Number of shares (mn)	6,010
Free float (%)	29.8
52-wk price range (HK\$)	61.70-15.10
ADTO-6M (US\$ mn)	75.7
[V] = Stock Considered Volatile (see Disclosure Appendix)	

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Financial and valuation metrics

Year	12/21A	12/22E	12/23E	12/24E
Revenue (Rmb mn)	13,755.2	13,115.5	16,438.9	20,130.5
EBITDA (Rmb mn)	6,313.4	4,702.3	6,969.4	8,741.9
EBIT (Rmb mn)	6,242.0	4,577.2	6,749.8	8,461.0
Net profit (Rmb mn)	5,287.0	3,812.6	5,629.9	7,061.2
EPS (CS adj.) (Rmb)	0.98	0.71	1.04	1.31
Chq. from prev. EPS (%)	n.a.	(1.6)	(1.1)	(1.2)
Consensus EPS (Rmb)	n.a.	0.87	1.1	1.24
EPS growth (%)	120.3	(27.9)	47.7	25.4
P/E (x)	15.3	21.2	14.4	11.5
Dividend yield (%)	0.0	0.0	0.0	0.0
EV/EBITDA (x)	12.5	16.7	11.0	8.6
P/B (x)	4.2	3.9	3.51	3.13
ROE (%)	33.4	19.1	25.7	28.9
Net debt/equity (%)	(57.7)	(55.3)	(57.5)	(59.0)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14/04/22. On 14/04/22 the spot exchange rate was HK\$7.84/US\$1

Performance	1M	3M	12M
Absolute (%)	22.3	(49.4)	(62.2)
Relative (%)	2.0	(33.0)	(27.4)

Smooore Intl Hldg (6969.HK / 6969 HK)

Price (14 Apr 2022): **HK\$18.46** Target Price: (from HK\$30.20) **HK\$24.70**

Analyst: **Jesalyn Wong**

Rating: **Outperform [V]**

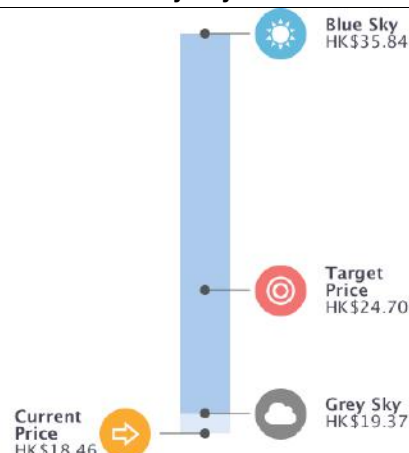
Income Statement (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Sales revenue	13,755	13,116	16,439	20,130
Cost of goods sold	6,378	6,225	7,871	9,624
EBITDA	6,313	4,702	6,969	8,742
EBIT	6,242	4,577	6,750	8,461
Net interest expense/(inc.)	25	19	19	19
Recurring PBT	6,209	4,558	6,731	8,442
Profit after tax	5,287	3,813	5,630	7,061
Reported net profit	5,287	3,813	5,630	7,061
Net profit (Credit Suisse)	5,287	3,813	5,630	7,061
Balance Sheet (Rmb mn)	12/21A	12/22E	12/23E	12/24E
Cash & cash equivalents	11,427	11,752	13,410	15,396
Current receivables	5,999	5,219	6,317	7,625
Inventories	560	665	847	1,072
Other current assets	0	(0)	0	(0)
Current assets	17,986	17,636	20,574	24,094
Property, plant & equip.	3,262	5,648	6,114	7,035
Investments	1,541	1,532	1,519	1,517
Intangibles	66	143	168	192
Other non-current assets	16	13	19	24
Total assets	22,871	24,972	28,393	32,861
Current liabilities	3,394	4,148	5,404	7,061
Total liabilities	3,625	4,272	5,441	7,084
Total debt	320	257	166	149
Shareholders' equity	19,246	20,771	23,023	25,848
Minority interests	0	0	0	0
Total liabilities & equity	22,871	25,043	28,464	32,932
Cash Flow (Rmb mn)	12/21A	12/22E	12/23E	12/24E
EBIT	6,242	4,577	6,750	8,461
Net interest	0	0	0	0
Tax paid	(916)	(843)	(990)	(1,293)
Working capital	(3,938)	533	397	34
Other cash & non-cash items	180	231	446	584
Operating cash flow	1,567	4,498	6,603	7,785
Capex	(938)	(1,712)	(1,278)	(1,278)
Free cash flow to the firm	629	2,785	5,325	6,508
Investing cash flow	(1,477)	(1,659)	(1,219)	(1,227)
Equity raised	9	0	0	0
Dividends paid	(3,172)	(2,288)	(3,378)	(4,237)
Financing cash flow	(3,198)	(2,370)	(3,487)	(4,273)
Total cash flow	(3,108)	469	1,897	2,286
Adjustments	0	0	0	0
Net change in cash	(3,108)	469	1,897	2,286
Per share	12/21A	12/22E	12/23E	12/24E
Shares (wtd avg.) (mn)	5,398	5,398	5,398	5,398
EPS (Credit Suisse) (Rmb)	0.98	0.71	1.04	1.31
DPS (Rmb)	0.00	0.00	0.00	0.00
Operating CFPS (Rmb)	0.29	0.83	1.22	1.44
Earnings	12/21A	12/22E	12/23E	12/24E
Growth (%)				
Sales revenue	37.4	(4.7)	25.3	22.5
EBIT	46.4	(26.7)	47.5	25.4
EPS	120.3	(27.9)	47.7	25.4
Margins (%)				
EBITDA	45.9	35.9	42.4	43.4
EBIT	45.4	34.9	41.1	42.0
Valuation (x)	12/21A	12/22E	12/23E	12/24E
P/E	15.3	21.2	14.4	11.5
P/B	4.20	3.90	3.51	3.13
Dividend yield (%)	0.0	0.0	0.0	0.0
EV/sales	5.7	6.0	4.7	3.7
EV/EBITDA	12.5	16.7	11.0	8.6
EV/EBIT	12.7	17.2	11.4	8.8
ROE analysis (%)	12/21A	12/22E	12/23E	12/24E
ROE	33.4	19.1	25.7	28.9
ROIC	94.0	44.0	59.3	69.4
Credit ratios	12/21A	12/22E	12/23E	12/24E
Net debt/equity (%)	(57.7)	(55.3)	(57.5)	(59.0)
Net debt/EBITDA (x)	(1.76)	(2.44)	(1.90)	(1.74)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Smooore offers vaping technology solutions with advanced research and development technology. The company manufactures and produces closed system vaping devices, self branded open system vaping devices, vaping components, and other products.

Blue/Grey Sky Scenario



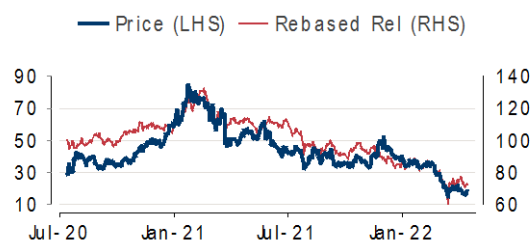
Our Blue Sky Scenario (HK\$) (from 36.17) 35.84

Our blue sky value of HK\$35.84 assumes less competition in the e-cigarette industry, which leads to revenue growth being 15% higher and core operating profit margin expansion of 5 pp vs our the base scenario.

Our Grey Sky Scenario (HK\$) (from 19.49) 19.37

Our grey sky value of HK\$19.37 assumes more competition in the e-cigarette industry, which leads to revenue growth being 20% lower and core operating profit margin contraction of 10 pp vs our base scenario.

Share price performance



The price relative chart measures performance against the MSCI CHINA F IDX which closed at 7,283.77 on 14-Apr-2022

On 14-Apr-2022 the spot exchange rate was HK\$7.84/US\$1

Valuation Methodology and Risks

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Angelalign Technology (6699.HK)

Method: Our target price of HK\$108 is based on 40x mid-2023 P/E, based on international peers average and 30% premium given its high exposure to China market (higher growth potential). We are constructive of the company's competitiveness, however, we believe the market has fully priced in the positives, and we see more headwinds on fierce competition amid weak macro. Valuation is stretched at 49x 2022 P/E. We thus rate the stock UNDERPERFORM.

Risk: Upside risks to our UNDERPERFORM rating and HK\$108 target price for Angelalign Technology include: (1) faster sales ramp up of high-ASP line Angelalign Pro; (2) less fierce competition and less-than-expected threats from new entrants; and (3) clarity in policy changes or pricing control/GPO risk.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Anta Sports (2020.HK)

Method: Our target price for Anta Sports Products Limited of HK\$130 is based on 30x 2022/23 P/E, which is a blended average of domestic peers to reflect Anta's core brand and Fila, an international brand. We rate the stock OUTPERFORM given better-than-expected recovery in retail sales and momentum for sportswear sector in 2022.

Risk: Downside risks that could cause the share price to diverge from our target price of HK\$130 and OUTPERFORM rating for Anta Sports Products include: (1) fierce industry competition, (2) lower-than-expected e-commerce growth and (3) unexpected abnormal weather affecting retail sell-through which could further decrease future orders.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Gree Electric (000651.SZ)

Method: Our target price of Rmb46.1 for GREE is derived from our DCF model (WACC:9.0%, terminal growth rate: 3.0%), implying 10x blended 2022/23E P/E. We rate Gree OUTPERFORM on company's strong brand equity, ongoing channel reform, online market share gain, as well as the attractive risk-reward.

Risk: Downside risks to our OUTPERFORM rating and TP of Rmb46.1 include: (1) no capital return improvements after the ownership change; (2) worse-than-expected air-conditioner demand and channel destocking; (3) slower-than-expected channel reform and operational efficiency.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Haidilao International Holding Ltd (6862.HK)

Method: Our DCF-derived (8.6% WACC and 3.0% terminal growth rate) target price of HK\$16.5 for Haidilao International Holding Ltd implies 29x/25x 2023/24E P/E and 12x/11x 2023/24E EV/EBITDA. We think the current stock price has fairly reflected expectations of mild table turn recovery and decelerated store roll-out. We thus rate the stock NEUTRAL.

Risk: Upside risks to our HK\$16.5 target price and NEUTRAL rating include: (1) a faster-than-expected recovery post the pandemic; (2) success of new business lines; (3) cost deflation. Downside risks include: (1) a slower-than-expected recovery post the pandemic; (2) increasing disruption and competition from third-party delivery; (3) cost inflation; (4) food safety; (5) changing consumer preference and (6) a shortage of talent.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Haier Smart Home (600690.SS)

Method: Our DCF-derived TP of Rmb35.2 (WACC: 8.5%, terminal growth: 2.0%), implies 21x blended 2022/23E P/E multiple, at 2x std. above its five-year historical average. We have an OUTPERFORM rating on the stock as we like its global deployment amid supply chain disruption macro environment, and we project Haier Smart Home's margin expansion to be underpinned by brands premiumisation and operational efficiency enhancement.

Risk: Downside risks to our OUTPERFORM rating and Rmb35.2 target price for Haier Smart Home include: (1) less-than-expected recovery path of China & US market; (2) intensifying industry competition leading to ASP decline; (3) raw material price inflation and (4) weaker-than-expected management execution after privatisation.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Haier Smart Home (6690.HK)

Method: Our DCF-derived TP of HK\$42.20 (WACC: 9.0%, terminal growth: 2.0%), implies 21x blended 2022/23E P/E, at 2 std. above its five-year historical average. We have an OUTPERFORM rating on the stock as we project Haier Smart Home's margin expansion to be underpinned by brands premiumisation and operational efficiency enhancement.

Risk: Downside risks to our OUTPERFORM rating and HK\$42.20 target price for Haier Smart Home include: (1) less-than-expected recovery path of China & US market; (2) intensifying industry competition leading to ASP decline; (3) raw material price inflation and (4) weaker-than-expected management execution after privatisation.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Haitian Flavouring & Food (603288.SS)

Method: Our DCF-based (7.1% WACC and 3.0% terminal growth) target price of Rmb96 implies 48x 2023E P/E. We think Haitian's weak short-term earnings could point to some pressure in valuation in recent months, although there is strong consensus for the company's long-term growth on its competitive portfolio and extensive distribution network across the nation. We have a NEUTRAL rating on Haitian.

Risk: Downside risks to our target price of Rmb96 and NEUTRAL rating for Haitian include: (1) a slower-than-expected demand recovery due to COVID-19; (2) rising competition; (3) cost inflation and (4) food safety. Upside risks for Haitian include: (1) faster-than-expected restaurants demand recovery, (2) cost deflation, and (3) new categories.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Jiumaojiu International Holdings Ltd (9922.HK)

Method: Our DCF-derived (9.6% WACC and 3.0% terminal growth rate) target price of HK\$21.0 implies 33x/25x 2023/24E P/E, 11x/8x 2023/24E EV/EBITDA, and 1.0x 2023E PEG based on 2019-23E EPS CAGR. We see a clear path for the company to consistently deliver robust earnings growth over the next few years, driven by SSS recovery of all brands post-Covid and continued store expansion of Tai Er/Song brands. Thus, we rate the stock OUTPERFORM.

Risk: Downside risks to our HK\$21.0 target price and OUTPERFORM rating include: (1) a slower-than-expected demand recovery due to Covid-19; (2) increasing disruption & competition from third-party delivery, (3) cost inflation, (4) food safety, and (5) changing consumer preferences.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Li Ning (2331.HK)

Method: Our target price of HK\$88.0 is based on 35x blended 2022/23E P/E (price-to-earnings). The 35x P/E is mostly in-line with Nike and Adidas peers. We rate Li Ning OUTPERFORM as the industry goes through a recovery. Over the long term, top-line improvement backed by brand strategy and execution should regain market share. A margin rebound remains the key earnings driver, underpinned by change in product mix, operating leverage, and improved supply chain.

Risk: Key risks to our target price of HK\$88.0 and OUTPERFORM rating for Li Ning include: (1) rising competition from international brands, (2) a slower-than-expected recovery process, (3) slower-than-expected inventory clearance, and (4) another wave of COVID in 2022.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Midea Group (000333.SZ)

Method: Our DCF-based target price (WACC: 8.9%, terminal growth: 3%) of Rmb90.2 implies 19x blended 2022/23E P/E, at the 1x SD above its five-year average. We rate Midea OUTPERFORM due to its resilient business model, strong management and its OBM overseas business expansion outlook.

Risk: Downside risks to our Rmb90.2 target price and OUTPERFORM rating for Midea Group include: (1) air-conditioner destocking and pricing pressure; (2) slowing global demand; and (3) intensifying competition.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Proya (603605.SS)

Method: Our target price for Proya of Rmb225.0 is based on 55x 2023E EPS, which is in line with the average of China cosmetics brands. We rate the stock OUTPERFORM on market share gains, brand premiumisation and potential to be the dominant market leader.

Risk: Downside risks to our target price of Rmb225.0 and OUTPERFORM rating for Proya include: (1) slow demand recovery in 4Q21 and 2022 resulting in near-term share price volatility, and (2) high cost of online expenses to drive traffic resulting in margin erosion.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Shanghai Haohai Biological Technology (6826.HK)

Method: Our Neutral rating and target price of HK\$39 for Haohai (H) is based on 13x mid-2023E P/E (in-line with China pharma average) and -10% stock adjustment. We rate Haohai (H) NEUTRAL due to its fair valuation and lack of short-term catalysts.

Risk: Downside risks to our NEUTRAL rating and target price of HK\$39 for Haohai (H) include: (1) fierce competition and potential price war in the HA field; (2) risks associated with suppliers and distributors; (3) macro slowdown and (4) GPO risk. Upside risks include better-than-expected sales of prestige HA filler and Ortho-K lenses, as well as clearance of policy risks.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Shanghai Haohai Biological Technology (688366.SS)

Method: Our target price of Rmb89 for Haohai (A) is based on 38x mid-2023E P/E, in-line with the average of China upstream aesthetics and China pharma, and a -15% stock adjustment factor. We rate Haohai (A) NEUTRAL due to its fair valuation and lack of short-term catalysts.

Risk: Downside risks to our NEUTRAL rating and target price of Rmb89 for Haohai (A) include: (1) fierce competition and potential price war in the HA field; (2) risks associated with suppliers and distributors; (3) macro slowdown and (4) GPO risk. Upside risks include better-than-expected sales of prestige HA filler and Ortho-K lenses, as well as clearance of policy risks.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Smoore Intl Hldg (6969.HK)

Method: Our target price for Smoore International of HK\$24.7 is based on a DCF (discounted cash flow) model, with beta 1.2x, WACC (weighted average cost of capital) of 9.9% and terminal growth of 3.0%. We rate the stock OUTPERFORM given its overseas expansion.

Risk: Risks to our HK\$24.7 target price and OUTPERFORM rating for Smoore Intl Hldg are: (1) regulations which are expected to raise consumption taxes which might be higher than our expectation; (2) distributors and wholesale channel disruption leading to low profitability; and (3) slowdown in overall consumption levels.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Xiabu Xiabu (0520.HK)

Method: Our DCF-based (WACC: 10.7%, terminal growth 3.0%) target price of HK\$5.0 for Xiabuxiabu implies 16x/12x 2023/24E P/E. We still see a potential for Coucou brand to expand store base in the next few years, while Xiabu brand enters an adjustment period with slowed unit growth and mild SSS recovery post COVID-19. The stock is now trading at an undemanding valuation and we rate the stock OUTPERFORM.

Risk: Downside risks to our HK\$5.0 target price and OUTPERFORM rating for Xiabuxiabu include: (1) a slower-than-expected demand recovery due to COVID-19; (2) increasing disruption and competition from third-party delivery; (3) cost inflation; (4) food safety, (5) changing consumer preferences, and (6) unstable management team.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Yum China Holdings, Inc. (YUMC.N)

Method: Our DCF-derived (8.0% WACC and 3.0% terminal growth rate) target price of US\$58.0/HK\$450.0 implies 28x/24x 2023/24E P/E and 12x/10x 2023/24E EV/EBITDA. We believe Yum China's resilient business model, industry-leading digital ecosystem and strong delivery capabilities leveraged on its large store base will continue to support solid growth for KFC and gradual improvement in Pizza Hut post-COVID. We thus rate the stock OUTPERFORM.

Risk: Downside risks to our US\$58.0/HK\$450.0 target price and OUTPERFORM rating include: (1) a slower-than-expected demand recovery due to COVID-19; (2) increasing disruption and competition from third-party delivery; (3) cost inflation; (4) food safety and (5) changing consumer preferences.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Yum China Holdings, Inc. (9987.HK)

Method: Our DCF-derived (8.0% WACC and 3.0% terminal growth rate) target price of US\$58.0/HK\$450.0 implies 34x/28x 2022/23E P/E and 14x/12x 2022/23E EV/EBITDA. We believe Yum China's resilient business model, industry-leading digital ecosystem and strong delivery capabilities leveraged on its large store base will continue to support solid growth for KFC and gradual improvement in Pizza Hut post-COVID. We thus rate the stock OUTPERFORM.

Risk: Downside risks to our US\$58.0/HK\$450.0 target price and OUTPERFORM rating include: (1) a slower-than-expected demand recovery due to COVID-19; (2) increasing disruption and competition from third-party delivery; (3) cost inflation; (4) food safety and (5) changing consumer preferences.

Companies Mentioned (Price as of 17-Apr-2022)

Angelalign Technology (6699.HK, HK\$123.5, UNDERPERFORM[V], TP HK\$108.0)
Anta Sports (2020.HK, HK\$93.1, OUTPERFORM, TP HK\$130.0)
Gree Electric (000651.SZ, Rmb32.38, OUTPERFORM, TP Rmb46.1)
Haidilao International Holding Ltd (6862.HK, HK\$16.16, NEUTRAL[V], TP HK\$16.5)
Haier Smart Home (600690.SS, Rmb24.65, OUTPERFORM, TP Rmb35.2)
Haier Smart Home (6690.HK, HK\$27.35, OUTPERFORM, TP HK\$42.2)
Haitian Flavouring & Food (603288.SS, Rmb90.36, NEUTRAL, TP Rmb96.0)
Jiangsu Hengshun Vinegar Ind Co., Ltd. (600305.SS, Rmb11.18)
Jiumaojiu International Holdings Ltd (9922.HK, HK\$16.7, OUTPERFORM[V], TP HK\$21.0)
Jonjee Hi-tech Industrial & Commercial Holding Co. (600872.SS, Rmb28.39)
Kweichow Moutai Co., Ltd (600519.SS, Rmb1805.99)
Li Ning (2331.HK, HK\$63.95, OUTPERFORM[V], TP HK\$88.0)
Luzhou Laojiao Co., Ltd (000568.SZ, Rmb208.5)
Midea Group (000333.SZ, Rmb58.65, OUTPERFORM, TP Rmb90.2)
Pou Sheng Intl (3813.HK, HK\$0.97)
Proya (603605.SS, Rmb184.1, OUTPERFORM[V], TP Rmb225.0)
Qianhe Condiment and Food Co Ltd (603027.SS, Rmb17.46)
Shanghai Haohai Biological Technology (6826.HK, HK\$38.7, NEUTRAL[V], TP HK\$39.0)
Shanghai Haohai Biological Technology (688366.SS, Rmb85.48, NEUTRAL[V], TP Rmb89.0)
Shenzhou (2313.HK, HK\$102.4)
Smoores Intl Hldg (6969.HK, HK\$18.46, OUTPERFORM[V], TP HK\$24.7)
Xiabu Xiabu (0520.HK, HK\$3.92, OUTPERFORM[V], TP HK\$5.0)
Xtep International (1368.HK, HK\$11.3)
Yum China Holdings, Inc. (YUMC.N, \$41.84, OUTPERFORM, TP \$58.0)
Yum China Holdings, Inc. (9987.HK, HK\$329.2, OUTPERFORM, TP HK\$450.0)

Disclosure Appendix

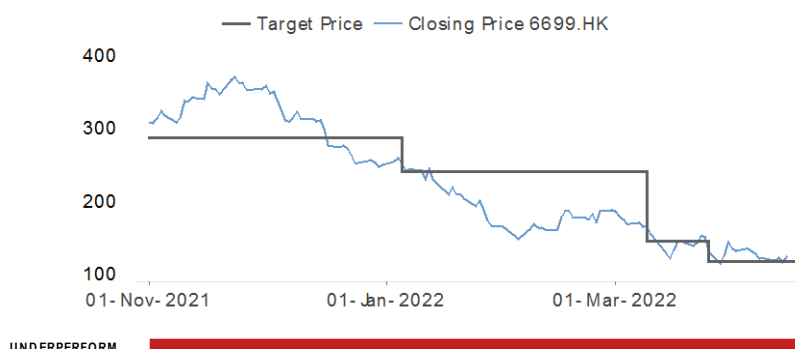
Analyst Certification

Edmond Huang, Jessie Xu, Jesalyn Wong, Frank Su, Veronica Song, Harriet Liu and Miriam Lu each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Angelalign Technology (6699.HK)

6699.HK	Closing Price	Target Price	
Date	(HK\$)	(HK\$)	Rating
01-Nov-21	307.00	287.00	U *
05-Jan-22	250.60	240.00	
09-Mar-22	166.70	145.00	
25-Mar-22	129.80	117.00	

* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Anta Sports (2020.HK)

2020.HK	Closing Price	Target Price	
Date	(HK\$)	(HK\$)	Rating
10-Jul-19	50.66	55.35	N *
23-Jul-19	58.34	58.14	
27-Aug-19	64.37	59.83	
02-Oct-19	64.62	75.79	O *
17-Oct-19	74.44	75.79	N
15-Jan-20	77.48	78.78	
05-Feb-20	68.61	72.80	
25-Mar-20	58.44	61.83	O
15-Apr-20	61.43	72.80	
13-Jul-20	71.40	72.80	N
26-Aug-20	82.77	82.77	
23-Oct-20	86.36	83.77	
09-Dec-20	108.70	113.68	
15-Jan-21	129.14	163.54	O
25-Mar-21	120.96	153.57	
07-Jun-21	159.26	188.47	
07-Jul-21	181.89	212.41	
19-Oct-21	130.54	145.59	
22-Mar-22	105.40	145.00	
15-Apr-22	93.10	130.00	

* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Gree Electric (000651.SZ)

000651.SZ	Closing Price	Target Price	
Date	(Rmb)	(Rmb)	Rating
29-Jul-19	54.62	67.20	O
02-Sep-19	57.47	71.80	
15-Jan-20	68.90	84.00	
13-Feb-20	62.90	80.00	
14-Apr-20	56.40	70.00	
05-May-20	54.77	64.00	
15-Jun-20	57.29	64.00	N
31-Aug-20	54.50	62.00	
05-Nov-20	62.80	73.00	O
15-Jan-21	63.40	80.00	
26-Mar-21	61.62		*
10-May-21	59.84	80.00	O
23-Aug-21	44.99	73.00	
23-Sep-21	38.11	65.80	
27-Oct-21	36.77	49.00	

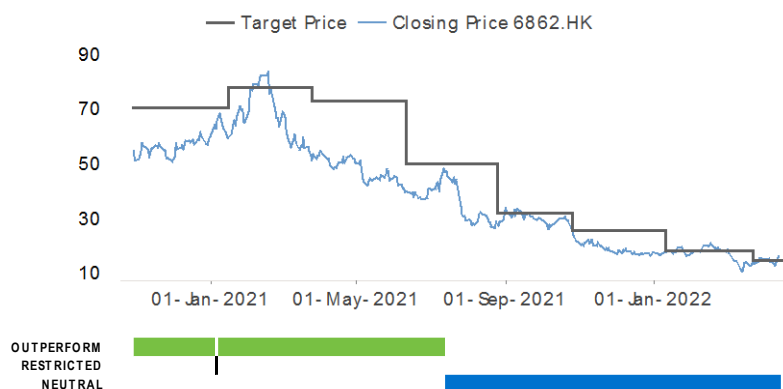
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Haidilao International Holding Ltd (6862.HK)

6862.HK	Closing Price	Target Price	
Date	(HK\$)	(HK\$)	Rating
29-Oct-20	54.60	70.50	O *
05-Jan-21	62.90		R
07-Jan-21	67.10	70.50	O
15-Jan-21	59.30	78.00	
25-Mar-21	51.35	73.00	*
11-Jun-21	39.80	50.00	
14-Jul-21	47.25	50.00	N
25-Aug-21	27.95	32.00	
26-Oct-21	25.25	25.50	
11-Jan-22	17.66	18.00	
24-Mar-22	14.48	14.50	

* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Haier Smart Home (600690.SS)

600690.SS	Closing Price	Target Price	
Date	(Rmb)	(Rmb)	Rating
06-May-19	16.32	20.00	O
02-Sep-19	15.99	19.60	
15-Jan-20	19.65	23.50	
13-Feb-20	18.30	22.80	
05-May-20	15.46	16.30	N
31-Aug-20	22.30	22.20	
02-Nov-20	26.39	25.00	
15-Jan-21	33.31	35.00	*
26-Mar-21	29.68		*
01-Apr-21	32.36	35.00	N
30-Jun-21	25.91	35.00	O
02-Sep-21	28.41	40.20	
04-Apr-22	23.75	36.50	

* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Haier Smart Home (6690.HK)

6690.HK	Closing Price	Target Price	
Date	(HK\$)	(HK\$)	Rating
15-Jan-21	31.60	40.00	O *
26-Mar-21	29.80		*
01-Apr-21	33.10	40.00	O
02-Sep-21	31.50	48.20	
04-Apr-22	26.60	43.80	

* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Haitian Flavouring & Food (603288.SS)

603288.SS	Closing Price	Target Price	
Date	(Rmb)	(Rmb)	Rating
26-Apr-19	54.17	58.97	N
15-Jan-20	68.83	76.92	
27-Mar-20	73.80	80.13	
29-Oct-20	128.59	128.85	*
15-Jan-21	157.38	167.69	
26-Mar-21	115.73		*
26-May-21	137.10	168.00	O
31-Aug-21	94.98	120.00	
13-Oct-21	113.55	131.00	
02-Dec-21	112.70		*
06-Jan-22	109.53	128.00	O

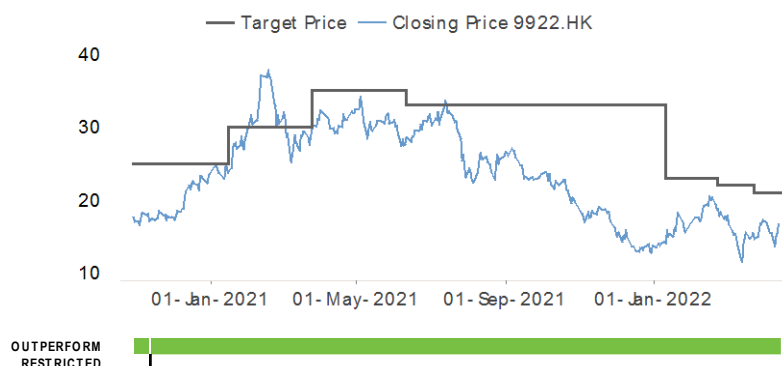
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Jiumaojiu International Holdings Ltd (9922.HK)

9922.HK	Closing Price	Target Price	
Date	(HK\$)	(HK\$)	Rating
29-Oct-20	17.61	24.98	O *
11-Nov-20	17.07		R
13-Nov-20	17.23	24.98	O
15-Jan-21	23.78	29.98	
25-Mar-21	29.63	35.00	*
11-Jun-21	28.60	33.00	
11-Jan-22	14.02	23.00	
23-Feb-22	18.78	22.00	
25-Mar-22	14.70	21.00	

* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Li Ning (2331.HK)

2331.HK	Closing Price	Target Price	
Date	(HK\$)	(HK\$)	Rating
10-Jul-19	19.26	21.40	O *
02-Aug-19	18.74	22.60	
15-Aug-19	20.35	23.60	
02-Oct-19	22.15	26.30	*
21-Oct-19	26.85	31.00	
05-Feb-20	23.40	27.00	
13-Jul-20	24.90	27.00	N
14-Aug-20	31.55	29.00	
15-Jan-21	50.80	69.00	O
22-Mar-21	48.05	61.00	
07-Jun-21	75.00	85.00	
15-Jul-21	94.60	105.00	
13-Aug-21	87.40	107.00	
18-Mar-22	60.60	92.00	

* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Midea Group (000333.SZ)

000333.SZ	Closing Price	Target Price	
Date	(Rmb)	(Rmb)	Rating
22-Apr-19	52.79	53.00	N
02-Sep-19	54.23	55.50	
01-Nov-19	58.89	66.00	O
15-Jan-20	59.50	70.00	
13-Feb-20	53.80	67.50	
05-May-20	53.75	64.00	
15-Jun-20	58.00	71.00	
31-Aug-20	70.54	88.00	
15-Jan-21	99.69	120.00	
26-Mar-21	82.01		*
06-May-21	77.56	109.00	O
03-Nov-21	69.32	99.00	

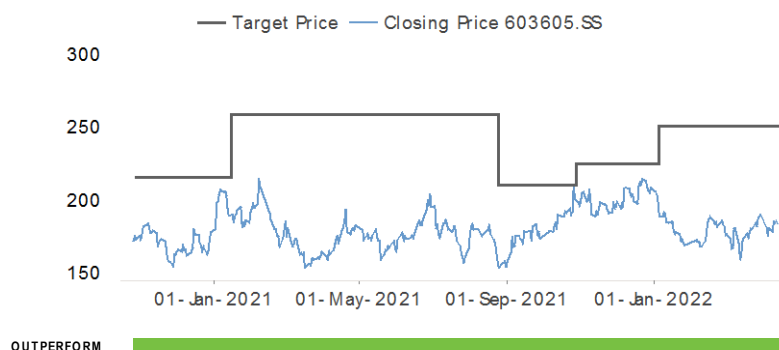
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Proya (603605.SS)

603605.SS	Closing Price	Target Price	
Date	(Rmb)	(Rmb)	Rating
28-Oct-20	172.15	215.70	O *
15-Jan-21	189.26	259.00	
25-Aug-21	163.00	210.00	
28-Oct-21	210.65	225.00	
05-Jan-22	203.98	251.00	

* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Shanghai Haohai Biological Technology (6826.HK)

6826.HK	Closing Price	Target Price	
Date	(HK\$)	(HK\$)	Rating
01-Nov-21	56.75	70.00	O *
05-Jan-22	51.80	60.00	
28-Jan-22	49.00	45.00	U
29-Mar-22	37.50	40.00	N

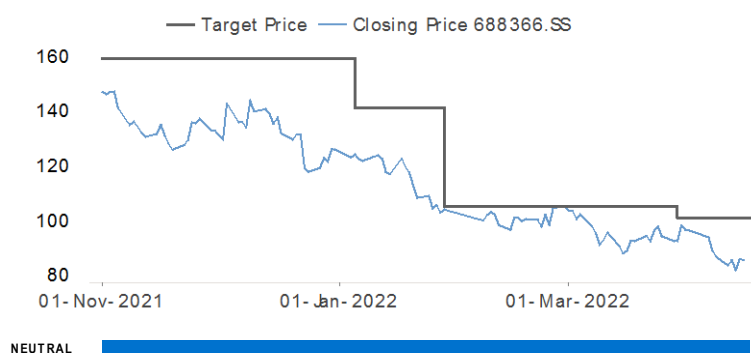
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Shanghai Haohai Biological Technology (688366.SS)

688366.SS	Closing Price	Target Price	
Date	(Rmb)	(Rmb)	Rating
01-Nov-21	147.00	159.00	N *
05-Jan-22	124.03	141.00	
28-Jan-22	103.92	105.00	
29-Mar-22	92.48	101.00	

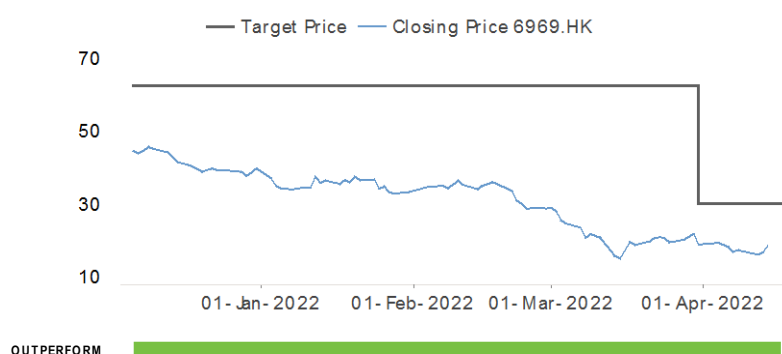
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Smoore Intl Hldg (6969.HK)

6969.HK	Closing Price	Target Price	
Date	(HK\$)	(HK\$)	Rating
06-Dec-21	44.50	62.50	O *
31-Mar-22	18.80	30.20	

* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Xiabu Xiabu (0520.HK)

0520.HK	Closing Price	Target Price	
Date	(HK\$)	(HK\$)	Rating
03-Sep-19	10.50	11.00	N
05-Feb-20	8.00	8.20	
29-Oct-20	13.94	16.50	O *
15-Jan-21	16.78	20.00	
26-Mar-21	16.20		*
31-Mar-21	15.74	20.00	O
11-Jun-21	8.57	12.00	
31-Aug-21	6.87	9.00	
11-Jan-22	5.05	8.00	
29-Mar-22	3.85	5.00	

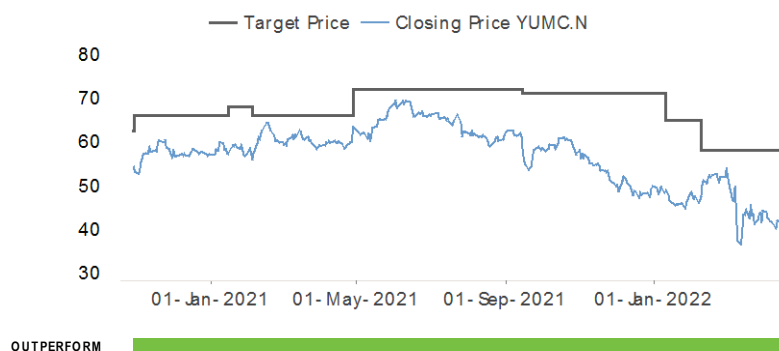
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Yum China Holdings, Inc. (YUMC.N)

YUMC.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
29-Oct-20	54.22	62.40	O *
30-Oct-20	53.23	66.00	
15-Jan-21	57.16	68.00	
04-Feb-21	55.98	66.00	
26-Mar-21	59.42		*
28-Apr-21	63.42	72.00	O
15-Sep-21	57.60	71.00	
11-Jan-22	48.84	65.00	
09-Feb-22	47.31	58.00	

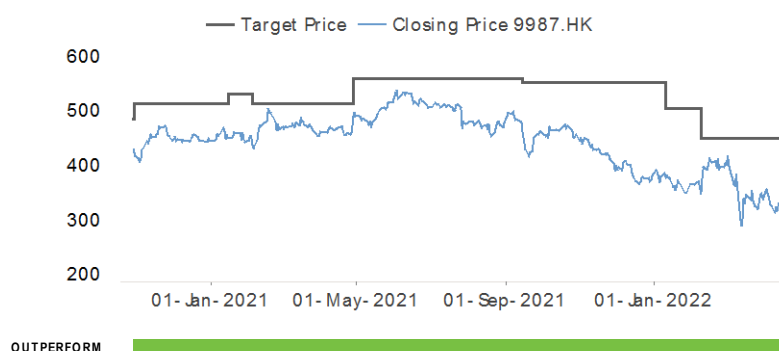
* Asterisk signifies initiation or assumption of coverage.



3-Year Price and Rating History for Yum China Holdings, Inc. (9987.HK)

9987.HK	Closing Price	Target Price	
Date	(HK\$)	(HK\$)	Rating
29-Oct-20	428.00	483.60	O *
30-Oct-20	418.00	512.00	
15-Jan-21	450.60	530.00	
04-Feb-21	438.00	512.00	
26-Mar-21	463.00		*
28-Apr-21	486.00	559.00	O
15-Sep-21	456.00	551.00	
11-Jan-22	377.00	504.00	
09-Feb-22	347.40	450.00	

* Asterisk signifies initiation or assumption of coverage.



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Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

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Restricted	1%	

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