

# Main business results were solid; “two wings” continued growth

Huatai Research

20 April 2022 | China (Mainland)

Annual Results Review

Park &amp; Zone Development

Rating (Maintain): **BUY**Target price (RMB): **13.22**
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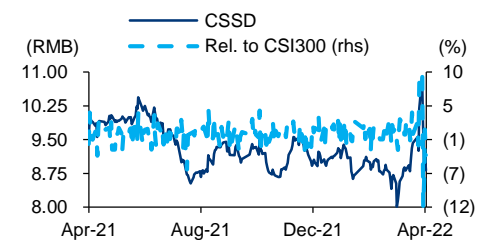
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## Key data

Target price (RMB)	13.22
Closing price (RMB as of 15 Apr)	8.82
Potential upside +/- (%)	50
Mkt cap (RMBmn)	13,220
6m avg daily val (RMBmn)	36.32
52wk price range (RMB)	8.01-10.88
BVPS (RMB)	8.12

## Share performance



Source: Wind

## Robust results growth, industrial investment expansion

CSSD released its 2021 annual results on 15 April 2022, reporting revenue of RMB3.92bn (+14.7% yoy), attributable net profit of RMB1.52bn (+16.4% yoy), and EPS of RMB1.02, missing our consensus estimate of RMB1.05. In view of the company's GPM being moderately lower than our estimate, we expect 2022E/2023E/2024E EPS to be RMB1.18/1.37/1.60 (previous: RMB1.25/1.51/-). Given the company's business advantages in the park development sector and that its “two wings” businesses have ushered in development, we value the stock at 11.2x 2022E PE, a premium over its peer average of 10.3x 2022E PE on Wind-consensus estimates, for our target price of RMB13.22 (previous: RMB13.23, at 12.6x 2021 PE). Maintain BUY.

## Park development grew solidly; “two wings” became growth poles

In 2021, its industrial park development business maintained steady growth, with the revenue hitting RMB3.06bn (+9.9% yoy). Its GPM came in at 70.1%, slightly down by 2.2pp yoy. Its green utility business expanded with the acquisition of He Shun Environment and contributed revenue of RMB750mn (+36.6% yoy). However, due to He Shun's GPM coming in lower than the company's, the GPM in this sector went down 6.9pp yoy to 21.2%. Despite this GPM decline, the company's attributable net profit growth remained higher than its revenue growth thanks to its return on industrial investment.

## Further efforts in industrial investment; a new model to be promoted

In 2021, the company stepped up its game in venture capital investment, with the proposed amount [for investment reaching RMB1.73bn (+78% yoy)]. As at end-March 2022, the company had invested a total of RMB2.7bn in 32 funds, mainly in the science and emerging medical industries. The company's current industrial investments all target enterprises in the industrial parks, and it aims to facilitate an “investing - investment channeling” closed loop through industrial investments for synergy with its main business of park development and operation.

## Entering PV industry, improving green utility business

For the green utility sector, the company indicated in its 2021 annual report that it would focus its efforts in distributed PV, energy storage, clean energy, and other new energy areas. On 31 March 2022, the company announced it would invest RMB1.25bn to set up a subsidiary, CSSD Green Development, focusing on investment in and development and operation of distributed PV power generation and other energy projects for the building of low-carbon emission industrial parks. The company boasts resource advantages in both upstream and downstream of the PV industry.

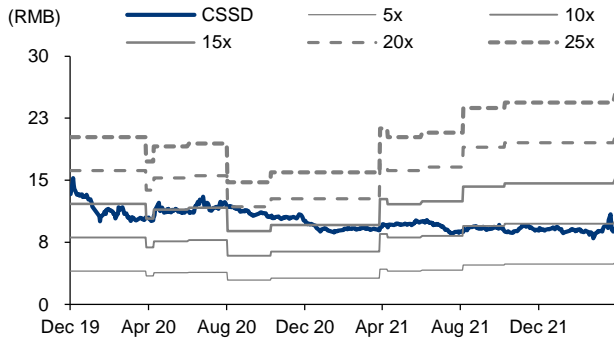
Risks: uncertain pandemic developments; an economic downturn in the Yangtze River Delta.

## Financials

YE 31 Dec	2020	2021	2022E	2023E	2024E
Revenue (RMBmn)	3,414	3,917	4,410	5,127	6,046
+/-%	(35.71)	14.74	12.57	16.26	17.92
Net profit (RMBmn)	1,307	1,522	1,767	2,056	2,401
+/-%	20.67	16.40	16.09	16.39	16.76
EPS (diluted, RMB)	0.87	1.02	1.18	1.37	1.60
ROE (%)	10.79	12.20	12.41	12.62	12.84
PE (x)	10.11	8.69	7.48	6.43	5.51
PB (x)	1.20	1.09	0.95	0.83	0.72
EV EBITDA (x)	8.31	8.22	6.07	4.96	4.24

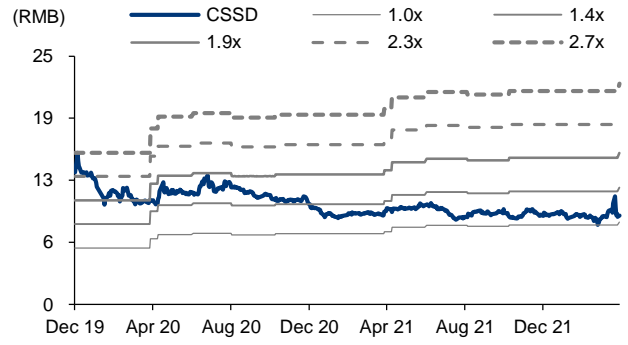
Source: Company announcements, Huatai Research estimates

Fig.1: CSSD PE-Bands



Source: Wind, Huatai Research

Fig.2: CSSD PB-Bands



Source: Wind, Huatai Research

## Full financials

### Balance sheet

YE 31 Dec (RMBmn)	2020	2021	2022E	2023E	2024E
<b>Current assets</b>	14,398	15,756	20,991	27,429	36,302
Cash & equivalents	3,917	3,119	7,153	11,941	20,120
Account receivables	982.40	1,317	1,203	1,727	1,727
Other receivables	165.93	199.00	241.97	270.72	333.83
Prepayments	18.19	10.70	21.37	15.92	28.05
Inventories	8,722	10,669	11,736	12,910	13,297
Other current assets	592.36	441.38	636.50	564.70	796.28
<b>Non-current assets</b>	11,348	13,674	14,352	15,222	16,397
Long-term investment	2,880	2,990	3,447	3,973	4,583
Fixed investment	1,434	1,518	1,808	2,147	2,552
Intangible assets	173.27	195.63	177.60	158.40	146.57
Other non-curr. assets	6,861	8,970	8,918	8,943	9,115
<b>Total assets</b>	25,746	29,430	35,343	42,650	52,699
<b>Current liabilities</b>	6,793	7,793	9,779	11,991	14,883
Short-term borrowings	976.21	1,329	1,329	1,329	1,329
Account payables	1,762	1,922	2,045	2,675	3,078
Other current liabilities	4,054	4,542	6,404	7,987	10,476
<b>Non-current liabilities</b>	3,950	5,281	6,889	9,287	13,295
Long-term borrowings	3,714	5,028	6,629	9,020	13,021
Other non-curr. liabilities	235.31	252.85	259.79	266.93	274.28
<b>Total liabilities</b>	10,742	13,073	16,668	21,279	28,178
Minority interest	3,952	4,185	4,735	5,376	6,125
Share capital	1,499	1,499	1,499	1,499	1,499
Capital reserves	1,234	1,234	1,234	1,234	1,234
Retained profit	8,320	9,449	11,767	14,464	17,614
Shareholders' equity attr. to parent	11,052	12,172	13,939	15,995	18,396
<b>Equity &amp; liabilities</b>	25,746	29,430	35,343	42,650	52,699

### Cash flow statement

YE 31 Dec (RMBmn)	2020	2021	2022E	2023E	2024E
<b>Operating cash flow</b>	(841.66)	373.73	1,143	1,627	2,916
Net profit	1,619	1,996	2,317	2,697	3,149
Depreciation/amortization	109.42	0.00	132.96	171.62	213.91
Financial costs	16.17	44.79	58.19	48.08	25.49
Investment losses	(234.20)	(330.83)	(397.00)	(476.40)	(571.68)
Chg in working capital	(2,800)	(1,769)	(638.65)	(423.58)	560.26
Other operating activ's	448.14	432.24	(330.07)	(389.77)	(461.22)
<b>Investing cash flow</b>	(1,240)	(1,860)	(103.93)	(199.71)	(384.85)
Capex	(811.77)	(927.47)	(344.76)	(502.69)	(762.42)
Long-term investment	(474.77)	(889.74)	(456.98)	(526.26)	(609.40)
Other investing activ's	46.52	(42.43)	697.81	829.24	986.97
<b>Financing cash flow</b>	339.09	775.43	2,995	3,361	5,648
Short-term borrowings	90.35	353.12	0.00	0.00	0.00
Long-term borrowings	1,199	1,314	1,602	2,391	4,000
Increase in common stock	0.00	0.00	0.00	0.00	0.00
Additional paid-in capital	0.00	0.00	0.00	0.00	0.00
Other financing activ's	(950.52)	(891.25)	1,393	969.62	1,648
Net change in cash	(1,743)	(710.86)	4,034	4,788	8,179

### Income statement

YE 31 Dec (RMBmn)	2020	2021	2022E	2023E	2024E
<b>Revenue</b>	3,414	3,917	4,410	5,127	6,046
Operating costs	1,223	1,572	1,745	2,077	2,531
Business taxes & surcharges	49.89	127.58	143.62	166.98	196.90
Operating expenses	6.90	9.62	10.83	12.60	14.85
Admin expenses	244.58	251.44	273.40	307.61	362.73
Financial costs	16.17	44.79	58.19	48.08	25.49
Asset impairment losses	(62.98)	(26.11)	(22.05)	(25.63)	(30.23)
P&L from fair value changes	3.83	220.30	264.36	317.23	380.67
Investment income	234.20	330.83	397.00	476.40	571.68
<b>Operating profit</b>	2,080	2,513	2,918	3,397	3,966
Non-operating income	5.62	4.17	4.32	4.70	4.40
Non-operating expenses	7.13	3.66	4.46	5.08	4.40
<b>Total profit</b>	2,078	2,514	2,918	3,396	3,966
Income tax expenses	459.40	517.48	600.76	699.21	816.41
<b>Profit after tax</b>	1,619	1,996	2,317	2,697	3,149
Minority interest	311.25	474.36	550.71	640.95	748.39
Net profit attr. to parent	1,307	1,522	1,767	2,056	2,401
EBITDA	2,205	2,558	3,392	4,001	4,266
EPS (RMB, basic)	0.87	1.02	1.18	1.37	1.60

### Performance

YE 31 Dec	2020	2021	2022E	2023E	2024E
<b>Growth (%)</b>					
Revenue	(35.71)	14.74	12.57	16.26	17.92
Operating profit	9.44	20.85	16.12	16.39	16.75
Net profit attr. to parent	20.67	16.40	16.09	16.39	16.76
<b>Profitability (%)</b>					
Gross profit margin	64.19	59.87	60.42	59.49	58.13
Net profit margin	47.41	50.96	52.55	52.61	52.09
ROE	10.79	12.20	12.41	12.62	12.84
ROIC	35.15	25.85	31.61	36.47	42.21
<b>Solvency</b>					
Liabilities/assets (%)	41.73	44.42	47.16	49.89	53.47
Net gearing ratio (%)	7.99	22.20	14.19	5.95	(5.03)
Current ratio (x)	2.12	2.02	2.15	2.29	2.44
Quick ratio (x)	0.81	0.63	0.93	1.20	1.53
<b>Operating capability</b>					
Total assets t/o ratio (x)	0.14	0.14	0.14	0.13	0.13
Receivables t/o ratio (x)	4.98	3.41	3.50	3.50	3.50
Payables t/o ratio (x)	0.69	0.85	0.88	0.88	0.88
<b>Per-share data (RMB)</b>					
EPS (diluted)	0.87	1.02	1.18	1.37	1.60
OCFPS (diluted)	(0.56)	0.25	0.76	1.09	1.95
BVPS (diluted)	7.37	8.12	9.30	10.67	12.27
<b>Valuation (x)</b>					
PE	10.11	8.69	7.48	6.43	5.51
PB	1.20	1.09	0.95	0.83	0.72
EV EBITDA	8.31	8.22	6.07	4.96	4.24

Source: Company announcements, Huatai Research estimates

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