



Hailiang Education Group (HLG US)

1Q21 results indicate a strong FY21E ahead

- 1Q21E revenue up 30% YoY and positive earnings vs net loss in 1Q20
- 33% FY20-23E recurring EPS CAGR
- Maintain BUY with unchanged TP of US\$77.55

1Q21 student and tuition fees indicate a strong FY21E

1Q21 revenue surged 30% YoY to RMB299mn driven by i) revenue from affiliated (self-operated schools), ii) management fee from managed schools, iii) revenue from education training service and iv) one-off deferred tuition fee revenue of RMB36mn as FY20 school year ended in Jul 2020 (beginning of 1Q21) instead of Jun due to COVID-19. Excluding deferred revenue, total revenue would have grown 14% YoY to RMB262mn. For revenue from affiliated schools (basic and international schools), revenue excluding deferred revenue grew 17% YoY to 227mn driven by tuition fee growth which on average grew 10% YoY to RMB61,770 and student growth which grew 11% YoY to 26,869. Student growth was in turn driven by the group having a net increase of four affiliated schools. Management fee from managed schools surged 164% YoY to RMB12mn thanks to the net addition of one managed school YoY to 29 schools. Meanwhile, education training service revenue also surged 120% YoY to RMB20mn as the group introduced online services. Lastly, study trip revenue declined 92% YoY to RMB2mn due to travel ban restrictions. In all, the group reported earnings of RMB27mn (1Q20: RMB15mn net loss). In our view, the 1Q21 reported student numbers and tuition fee gives a very visible outlook on FY21E performance and we remain confident in the group generating strong FY21E results.

Strong growth ahead driven by highly visible new school pipeline

We maintain our earnings forecasts generally unchanged at a FY20-23E EPS CAGR of 33% driven by student growth of 23% FY20-23E CAGR from new affiliated school additions both through organic growth and M&A. Based on the 1Q21 results, for tuition fee assumptions, we have slightly trimmed our FY21E student number but has been offset by lifting our tuition fee forecast. Meanwhile, we have cut our FY21E study trip revenue forecast but has been offset by lifting our education training services revenue forecast.

Maintain BUY with TP US\$77.55

TP unchanged based on a 1.1x target PEG (FY20 P/E and FY20-23E EPS CAGR), in-line with Hailiang's closest peer, Tianli (1773 HK). Our TP equates to a 29x FY21E P/E. In our view, we justify an above average target PEG (K12 sector average 0.8x) given Hailiang's highly visible potential M&A/organic school growth pipeline. In addition, we also view Tianli as Hailiang's closest peer as both are K12 school operators, reputable schools, similar market cap size and both having greenfield projects as an important future growth driver.

Financials (FY-end Jun)

RMB mn	Jun-19	Jun-20	Jun-21E	Jun-22E	Jun-23E
Revenue	1,499	1,483	1,798	2,317	3,141
Growth (%)	28.2	-1.1	21.3	28.9	35.5
Net profit - recurring	293	371	450	608	864
Growth (%)	35.1	26.4	21.4	35.0	42.1
EPS (RMB) - recurring	0.71	0.90	1.09	1.47	2.09
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
P/E (x) - recurring	38.0	30.0	24.7	18.3	12.9
P/B (x)	7.0	5.7	4.7	3.7	2.9
ROAE (%)	20.9	19.7	20.0	21.9	24.7

Note: 16 ordinary shares = 1 ADS

Sources: Company, HeungKong Financial

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WHAT'S NEW

Earnings adjusted

BUY

Previous	BUY
Price	US\$65.65
12-month Target Price (Potential upside)	US\$77.55 (+18%)
Previous	US\$77.55

Price Performance



Source: Bloomberg

%	1m	6m	12m
HLG US	0.6	49.2	(0.7)
MSCI China	2.7	30.9	32.9

Sector: Education

MSCI China	106
Dow Jones Index	29639

Key Data

52-week range (US\$)	31.85-75.43
Market cap (US\$ mn)	1692
Avg. daily ADS volume	7387
BVPS (RMB)	4.7

Shareholding Structure

Hailiang Feng	87%
No. of shares outstanding (mn)	412
No. of ADS outstanding (mn)	26
Free float	13%

Sources: HKEX, Bloomberg

Related Research

1. Hailiang Education Group (HLG US), Strong growth from high visibility new school pipeline, BUY, November 23, 2020
2. Hailiang Education Group (HLG US), Leading integrated K12 school operator in the region, Non-rated, October 27, 2020

Balance sheet and cashflow

The group's cashflow and balance sheet remains healthy with net cash position of RMB2.4bn in 1Q21 (cash and cash equivalents and cash deposits) vs net cash position of RMB1.4bn in FY20 thanks to the group's strong operating cashflow. In terms of cashflow, the group generated a 1Q21 net operating cashflow of RMB1.0bn which increased 49% YoY which was mainly due to an increase in tuition fees received. Meanwhile, net cashflow for investment activities remained stable at RMB855mn net outflow while net cash used for financing activities was minimal at RMB11mn net outflow.

Figure 1: 1Q21 results summary

FY-end June (RMB mn)	Actual 1Q20	Actual 1Q21	Change (YoY)	Comments
Total revenue	230	299	29.8%	Excluding deferred revenue of RMB36mn, total revenue would have increased 14% YoY to RMB262mn.
-K12 basic program	134	179	33.9%	Total tuition revenue from affiliated schools (basic and international) grew 36% YoY to RMB263mn driven by student growth, tuition fee increase and deferred revenue of RMB36mn. Excluding deferred revenue, total tuition revenue from affiliated schools would have been RMB227mn (+17% YoY).
-K12 international program	59	84	41.1%	Total affiliated school students grew 11% YoY to 26,869 as the group added four schools to 13 schools. Meanwhile, average annual tuition fees increased 10% YoY to RMB61,770.
-Education management	5	12	164.4%	Net increase in managed schools YoY
-Education training service	9	20	120.0%	Driven by new online service
-Study trip services	21	2	-91.5%	Impact from COVID-19 travel ban
-Others	2	2	0.0%	
COGS	(233)	(254)		
Gross Profit	(4)	45	N/A	
Gross margin	-1.5%	14.9%	+16.4ppt	
SG&A expenses	(23)	(24)		
% of revenue	9.8%	8.1%		
Other income	15	18		
Operating profit	(11)	39	N/A	
Operating margin	-4.7%	12.9%	+17.6ppt	
Net finance income	4	7		
Non-recurring gains/(loss)	0	0		
Pre-tax profits	(6)	46		
Tax	(13)	(21)		
Effective tax rate	-204.1%	44.9%		Inflated effective tax rate in 1Q as schools only start in Sept and recognize revenue only in september but expenses are recognized on accrual basis therefore most affiliated schools are loss-making in 1Q which causes an inflated effective tax rate.
Minority interest	(4)	(2)		
Recurring net profit	(15)	27	N/A	
Recurring net margin	-6.7%	9.0%	+15.7ppt	
DPS (RMB)	0.00	0.00		
Payout ratio	0.0%	0.0%		

Sources: Company, HeungKong Financial

Figure 2: Major changes in forecasts

FY-end August (RMB mn)	Old Estimates FY21E	New Estimates FY21E	Difference	Old Estimates FY22E	New Estimates FY22E	Difference	Old Estimates FY23E	New Estimates FY23E	Difference
Revenue	1,815	1,798	-0.9%	2,315	2,317	0.1%	3,114	3,141	0.9%
Gross profit	634	638	0.7%	845	841	-0.5%	1,161	1,169	0.7%
Gross margin	34.9%	35.5%	+0.6ppt	36.5%	36.3%	-0.2ppt	37.3%	37.2%	-0.1ppt
Operating profit	567	569	0.5%	767	763	-0.5%	1,074	1,085	1.0%
Operating margin	31.2%	31.7%	+0.4ppt	33.1%	33.0%	-0.2ppt	34.5%	34.5%	0.0ppt
Recurring net profit	448	450	0.5%	610	608	-0.4%	856	864	0.9%
Recurring net margin	24.7%	25.0%	+0.3ppt	26.4%	26.2%	-0.1ppt	27.5%	27.5%	0.0ppt

Sources: Company, HeungKong Financial

Figure 3: Historical and forecast profit and loss summary

FY-end June (RMB mn)	FY19	FY20	FY21E	FY22E	FY23E	1H19	2H19	1H20	2H20
Total Revenue	1,499	1,483	1,798	2,317	3,141	653	846	737	746
YoY change	28.2%	-1.1%	21.3%	28.9%	35.5%	N/A	N/A	12.9%	-11.9%
-K12 basic program	806	859	1,053	1,334	1,847	355	451	412	448
YoY change	5.4%	6.6%	22.6%	26.7%	38.4%	N/A	N/A	15.9%	-0.7%
-K12 international program	411	449	559	704	970	189	222	213	236
YoY change	24.7%	9.2%	24.5%	25.9%	37.8%	N/A	N/A	12.5%	6.3%
-Education management	41	48	55	56	60	17	24	17	31
YoY change	115.2%	18.0%	13.9%	2.4%	5.9%	N/A	N/A	3.0%	28.5%
-Education training service	144	54	86	120	144	60	84	43	10
YoY change	296.2%	-62.8%	60.0%	40.0%	20.0%	N/A	N/A	-27.5%	-87.8%
-Study trip services	81	56	28	86	103	26	55	43	13
YoY change	490.9%	-30.8%	-50.0%	205.0%	20.0%	N/A	N/A	62.8%	-75.9%
-Others	15	16	16	16	16	5	10	8	8
YoY change	148.0%	3.7%	0.0%	0.0%	0.0%	N/A	N/A	55.0%	-23.9%
COGS	(1,027)	(983)	(1,159)	(1,476)	(1,972)	(455)	(572)	(499)	(484)
Gross Profit	472	499	638	841	1,169	198	274	238	262
YoY change	29.5%	5.8%	27.8%	31.7%	39.0%	N/A	N/A	20.3%	-4.7%
Gross margin	31.5%	33.7%	35.5%	36.3%	37.2%	30.3%	32.4%	32.3%	35.1%
SG&A expenses	(98)	(104)	(114)	(122)	(129)	(42)	(55)	(47)	(58)
% of revenue	6.5%	7.0%	6.3%	5.3%	4.1%	6.5%	6.5%	6.3%	7.7%
Other income	25	73	45	45	45	10	15	50	23
Operating profit	400	468	569	763	1,085	165	234	241	227
YoY change	42.5%	17.1%	21.7%	34.1%	42.1%	N/A	N/A	45.8%	-3.2%
EBIT margin	26.7%	31.6%	31.7%	33.0%	34.5%	25.3%	27.7%	32.7%	30.4%
Net finance income	25	21	31	47	67	12	12	10	11
Non-recurring gains/(loss)	0	0	0	0	0	0	0	0	0
Pre-tax profits	424	489	600	810	1,152	178	247	251	238
Tax	(109)	(122)	(150)	(203)	(288)	(48)	(61)	(53)	(69)
Effective tax rate	25.6%	25.0%	25.0%	25.0%	25.0%	27.0%	24.6%	21.2%	28.9%
Minority interest	22	(4)	0	0	0	10	13	(4)	0
Recurring net profit	293	371	450	608	864	120	173	202	169
YoY change	35.1%	26.4%	21.4%	35.0%	42.1%	N/A	N/A	68.4%	-2.7%
Recurring net margin	19.6%	25.0%	25.0%	26.2%	27.5%	18.4%	20.5%	27.4%	22.6%
EPS (RMB) - recurring	0.71	0.90	1.09	1.47	2.09	0.29	0.42	0.49	0.41
YoY change	34.9%	26.4%	21.4%	35.0%	42.1%	N/A	N/A	68.4%	-2.7%
DPS (RMB)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Sources: Company, HeungKong Financial

Figure 4: Historical and forecast revenue contribution

RMB mn (FY-end June)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total revenue	1,169.3	1,499.0	1,482.6	1,797.7	2,317.0	3,140.6
% change YoY	37%	28%	-1%	21%	29%	36%
K12 basic program						
Revenue	764.2	805.7	859.3	1,053.5	1,334.3	1,847.4
% change YoY	16%	5%	7%	23%	27%	38%
% of total revenue	65%	54%	58%	59%	58%	59%
K12 international program						
Revenue	329.8	411.3	449.0	559.1	704.0	970.0
% change YoY	69%	25%	9%	25%	26%	38%
% of total revenue	28%	27%	30%	31%	30%	31%
Education management service						
Revenue	19.0	40.9	48.3	55.0	56.4	59.7
% change YoY	N/A	115%	18%	14%	2%	6%
% of total revenue	2%	3%	3%	3%	2%	2%
Education training service						
Revenue	36.4	144.2	53.7	85.9	120.3	144.3
% change YoY	N/A	296%	-63%	60%	40%	20%
% of total revenue	3%	10%	4%	5%	5%	5%
Study trip services						
Revenue	13.8	81.5	56.4	28.2	86.0	103.2
% change YoY	N/A	491%	-31%	-50%	205%	20%
% of total revenue	1%	5%	4%	2%	4%	3%
Other						
Revenue	6.2	15.4	16.0	16.0	16.0	16.0
% change YoY	N/A	148%	4%	0%	0%	0%
% of total revenue	1%	1%	1%	1%	1%	1%

Sources: Company, HeungKong Financial

Figure 5: Historical and forecast total student breakdown

FY-end June	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total	54,684	61,109	66,344	72,846	75,603	79,133
% change YoY	179%	12%	9%	10%	4%	5%
Total affiliated schools students						
Subtotal	22,110	22,819	23,716	26,869	33,066	44,489
% change YoY	13%	3%	4%	13%	23%	35%
K12 basic program (affiliated schools)						
Subtotal	18,250	18,266	18,857	21,607	26,570	35,715
% change YoY	9%	0%	3%	15%	23%	34%
K12 international program (affiliated schools)						
Subtotal	3,860	4,553	4,859	5,262	6,496	8,774
% change YoY	37%	18%	7%	8%	23%	35%
Managed schools						
Subtotal	32,574	38,290	42,628	45,977	42,537	34,644
% change YoY	N/A	18%	11%	8%	-7%	-19%
No. of schools	16	27	28	29	27	26

Sources: Company, HeungKong Financial

Figure 6: Historical and forecast school utilization and capacity

FY-end June	FY18	FY19	FY20	FY21E	FY22E	FY23E
Affiliated schools						
Total capacity	21,971	25,030	25,030	31,515	40,867	48,867
Utilization	100%	91%	95%	85%	81%	91%
No. of schools	8	9	9	13	17	18
<i>Avg. capacity per school</i>	<i>2,746</i>	<i>2,781</i>	<i>2,781</i>	<i>2,424</i>	<i>2,404</i>	<i>2,715</i>

Sources: Company, HeungKong Financial

Figure 7: Expected new affiliated school pipeline (organic and M&A)

New affiliated school	Location	FY opened/acquired	FY21 no. of students	Designed capacity	Utilization
Ninghai Public School	Ningbo, Zhejiang Province	FY22E (under construction)	N/A	4,500	N/A
Xianghu Public School	Hangzhou, Zhejiang Province	FY22E (under construction)	N/A	1,152	N/A
Xinchang Nanrui Experimental School	Shaoxing, Zhejiang Province	FY22E (to be acquired)	2,758	2,900	95%
Feicheng Hailiang Foreign Language School	Feicheng, Zhejiang Province	FY22E (to be acquired)	682	800	85%
Xiantao No.1 Middle School	Xiantao, Hubei Province	FY23E (to be acquired)	7,893	8,000	99%

Note: Three schools expected to be acquired are sponsored by Hailiang's affiliate, Hailiang Education Investment Group Co., Ltd.
Sources: Company, HeungKong Financial

Figure 8: Historical and forecast annual average tuition fees of affiliated schools

School year (FY-end June)	2017-2018 FY18	2018-2019 FY19	2019-2020 FY20	2020-2021 FY21E	2021-2022 FY22E	2022-2023 FY23E
K12 basic program (RMB), affiliated schools only						
Average	40,880	44,109	45,567	48,757	50,219	51,726
% change YoY	12.6%	7.9%	3.3%	7.0%	3.0%	3.0%
K12 international program (RMB), affiliated schools only						
Average	83,170	90,339	92,398	106,258	108,383	110,551
% change YoY	20.3%	8.6%	2.3%	15.0%	2.0%	2.0%
Education management fee per managed school (RMB mn)						
Average	1.189	1.516	1.726	1.898	2.088	2.297
% change YoY	N/A	27.6%	13.8%	10.0%	10.0%	10.0%

Sources: Company, HeungKong Financial

Figure 9: Peer comparison – Major listed Chinese K12 and higher education operators

Company	Ticker	Price (LC)	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	FY-end	PER Hist (x)	PER FY1 (x)	PER FY2 (x)	EPS FY1 YoY%	EPS FY2 YoY%	EPS CAGR (%)	PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B Hist (x)	P/B FY1 (x)
HSI		26,568				14.6	13.5	11.4	7.6	18.9	13.3	1.0	2.9	2.8	1.1	1.1
HSCEI		10,660				10.1	10.0	8.9	0.6	13.1	8.4	1.2	3.3	3.3	1.1	1.1
CSI300		5,067				19.3	17.3	14.7	11.3	17.6	14.4	1.2	1.8	1.8	2.2	2.1
School operators overall avg.						22.9	17.4	13.4	26.7	27.1	27.3	0.9	1.9	2.5	2.5	2.6
K12 operators sector avg.						30.2	17.7	13.5	24.6	26.1	31.9	0.8	2.3	2.9	2.5	2.7
Tianli Education	1773 HK	7.71	2,064	11.7	12/2019	50.5	34.8	25.6	45.3	35.6	40.3	1.1	0.5	0.7	5.3	5.0
Hailiang Education-Adr	HLG US	65.65	1,692	0.3	06/2020	30.0	24.7	18.3	26.4	21.4	32.6	0.9	0.0	0.0	5.7	4.7
Wisdom Education	6068 HK	3.76	1,056	3.3	08/2020	12.7	11.3	9.3	12.8	20.9	16.4	0.8	2.9	3.8	2.3	2.0
Mapleleaf	1317 HK	2.27	877	3.7	08/2020	11.3	7.7	6.9	46.4	12.0	17.4	0.7	2.5	4.7	1.3	1.1
Virscend Education	1565 HK	2.12	845	1.8	12/2019	13.8	15.0	10.8	(7.7)	39.2	19.2	0.7	3.8	4.0	1.9	2.0
Bright Scholar-Adr	BEDU US	6.46	777	0.2	08/2020	31.7	12.7	9.9	149.3	28.7	65.9	0.5	1.8	1.3	1.9	N/A
Bojun Education	1758 HK	0.72	76	0.0	08/2020	61.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.5	N/A
Ryb Education-Ad	RYB US	2.64	73	0.0	12/2019	N/A	N/A	52.8	N/A	N/A	(187.4)	N/A	N/A	N/A	1.2	1.5
Higher education operators sector avg.						29.8	17.2	13.4	27.9	27.7	23.7	0.9	1.7	2.3	2.4	2.6
China East Education	667 HK	17.32	4,900	4.8	12/2019	34.5	38.9	27.1	(11.5)	43.8	16.4	2.1	1.2	0.7	5.3	4.8
China Education	839 HK	14.90	4,133	7.9	08/2020	40.4	20.7	16.8	94.9	23.6	41.9	1.0	1.5	2.1	3.7	2.8
China Yuhua	6169 HK	7.25	3,123	7.7	08/2020	102.4	16.0	14.0	538.3	14.9	100.6	1.0	2.1	3.1	5.7	4.4
Hope Education	1765 HK	2.22	2,071	6.1	08/2020	104.5	16.5	12.5	533.3	31.6	116.6	0.9	1.1	2.1	2.2	2.1
China Kepei	1890 HK	6.01	1,562	2.0	12/2019	22.2	16.6	13.1	33.0	26.8	25.2	0.9	1.7	2.4	3.7	3.2
Edvantage Group	382 HK	8.15	1,071	2.5	08/2020	24.1	18.1	14.2	32.9	28.1	27.0	0.9	0.7	1.7	3.8	3.2
China New Higher	2001 HK	5.00	1,023	3.9	12/2019	16.3	11.9	9.8	37.3	20.7	25.3	0.6	1.7	2.4	2.6	2.2
Jh Educational	1935 HK	3.84	793	0.4	12/2019	26.2	21.7	17.1	20.9	26.7	19.2	1.4	2.0	0.5	0.2	2.7
Minsheng Education	1569 HK	1.12	609	0.5	12/2019	11.2	11.3	7.7	(1.2)	46.4	17.8	0.6	2.5	2.6	1.0	0.9
China Xinhua	2779 HK	2.45	508	0.3	12/2019	12.3	10.4	8.8	18.8	18.0	17.1	0.7	2.3	3.0	1.2	1.1
Huali University	1756 HK	2.99	463	0.3	08/2020	9.4	7.5	6.0	25.9	24.4	796.4	0.0	1.9	4.6	1.1	1.0
Chen Lin Education	1593 HK	2.04	263	0.4	12/2019	14.4	N/A	N/A	N/A	N/A	N/A	N/A	1.0	N/A	2.2	N/A
China Chunlai	1969 HK	1.50	232	0.1	08/2020	10.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.1	N/A
China Gingko Education	1851 HK	1.67	108	0.0	12/2019	23.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.4	N/A
China 21St Century	1598 HK	0.71	107	0.2	12/2019	8.9	N/A	N/A	N/A	N/A	N/A	N/A	3.1	N/A	1.1	N/A
Top Education	1752 HK	0.30	93	0.0	06/2020	15.9	N/A	N/A	N/A	N/A	N/A	N/A	1.4	N/A	2.5	N/A

Sources: HeungKong Financial, Bloomberg
Based on December 1, 2020 closing price

Figure 10: Peer comparison – Major listed Chinese K12 and higher education operators (continued)

Company	Rev Hist (US\$m)	NP Hist (US\$m)	EV/ EBITDA Hist	EV/ EBITDA Cur Yr	Net gearing Hist (%)	Net gearing FY1 (%)	Unlev beta	Gross margin Hist (%)	Net margin Hist (%)	ROIC Hist (%)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
HSI											7.4	8.2	10.2	5.5
HSCEI											11.0	10.9	9.2	6.5
CSI300											11.5	12.1	7.9	4.6
School operators overall avg.			15.6	11.3	18.4	28.6	0.7	48.5	26.9	8.4	10.2	14.5	13.1	(4.6)
K12 operators sector avg.			14.5	10.6	25.8	71.5	0.7	36.1	18.5	4.5	4.5	17.2	14.1	(5.1)
Tianli Education	140	40	38.3	25.8	0.0	N/A	0.97	41.0	28.9	9.9	13.5	13.7	25.6	(12.3)
Hailiang Education-Adr	226	56	15.4	12.4	0.0	0.0	0.80	33.7	25.0	18.2	19.7	20.0	0.6	44.2
Wisdom Education	273	78	10.3	9.3	58.8	96.1	0.87	48.4	28.6	10.0	20.0	20.2	49.2	(9.4)
Mapleleaf	233	77	12.7	10.4	54.2	N/A	0.77	46.7	33.1	7.3	11.6	N/A	8.1	(26.3)
Virscend Education	227	60	12.6	12.4	63.3	46.9	0.45	38.7	26.6	9.1	14.6	13.7	6.5	(25.2)
Bright Scholar-Adr	512	24	16.8	8.1	0.0	N/A	1.05	38.1	4.8	5.4	8.7	N/A	4.7	(14.7)
Bojun Education	57	1	5.8	N/A	14.2	N/A	0.32	27.8	2.3	1.8	1.0	N/A	22.0	16.1
Ryb Education-Ad	182	(2)	4.3	(4.1)	16.1	N/A	0.32	14.7	(1.3)	(25.7)	(53.7)	N/A	(4.2)	(12.9)
Higher education operators sector avg.			16.2	11.8	14.6	0.0	0.6	54.7	31.1	10.3	13.1	12.9	12.6	(4.3)
China East Education	594	129	17.5	20.4	0.0	N/A	N/A	58.4	21.7	20.4	24.2	12.1	16.2	(6.0)
China Education	408	96	28.0	15.9	1.6	N/A	0.79	57.4	23.6	9.9	12.0	N/A	15.7	(4.0)
China Yuhua	367	31	33.2	12.1	0.0	N/A	N/A	61.0	8.5	6.6	5.6	N/A	18.3	(4.4)
Hope Education	133	18	32.5	10.4	6.4	N/A	0.73	43.3	13.7	7.5	11.2	13.4	22.0	(8.3)
China Kepei	109	69	19.5	13.9	0.0	N/A	1.00	67.5	63.9	17.8	21.6	N/A	12.3	(8.7)
Edvantage Group	122	44	16.8	13.2	0.0	N/A	N/A	49.5	36.4	12.3	16.9	18.7	57.6	34.0
China New Higher	166	59	11.7	9.5	40.7	N/A	0.71	49.8	35.5	11.9	17.5	N/A	24.1	(17.2)
Jh Educational	74	27	17.1	13.4	0.0	0.0	N/A	53.2	36.2	12.9	13.0	13.6	20.0	(0.3)
Minsheng Education	153	52	6.5	7.0	0.0	0.0	1.06	51.4	34.0	8.8	9.6	8.4	14.3	(12.5)
China Xinhua	67	41	8.0	6.6	0.0	0.0	0.68	59.7	61.8	8.4	10.4	11.1	(1.6)	(2.4)
Huali University	116	47	8.4	7.5	33.7	N/A	N/A	59.4	40.3	9.9	14.4	12.8	7.9	(3.2)
Chen Lin Education	38	13	14.5	N/A	2.2	N/A	N/A	68.2	33.3	10.7	16.5	N/A	1.0	(6.8)
China Chunlai	107	22	11.3	N/A	110.2	N/A	0.05	52.6	20.1	8.0	10.4	N/A	(2.6)	(2.6)
China Gingko Education	25	5	18.7	N/A	39.5	N/A	(0.01)	40.8	19.4	4.8	7.8	N/A	(15.2)	(41.0)
China 21St Century	36	13	4.8	N/A	0.0	N/A	0.72	51.8	35.3	7.0	10.3	N/A	12.7	4.4
Top Education	41	6	10.0	N/A	0.0	N/A	0.52	50.7	14.3	7.5	8.4	N/A	(1.7)	9.3

Sources: HeungKong Financial, Bloomberg
Based on December 1, 2020 closing price

Financial Summary

Balance Sheet

RMB mn (FY end Jun)	2019	2020	2021E	2022E	2023E
Current assets	1,773	1,533	2,224	3,134	4,264
Cash & equivalents	261	503	1,190	2,093	3,213
Trading investments	0	0	0	0	0
ST bank deposits	1,389	917	917	917	917
Trade receivables	0	4	5	7	9
Other receivables	29	14	17	22	30
Inventories	0	0	0	0	0
Other current assets	95	95	95	95	95
Non-current assets	730	1,255	1,265	1,239	1,237
Prepayment & deposits	0	518	487	453	416
Property, plant & eqt.	621	629	673	683	720
Intangible assets	100	98	95	92	89
Other non-current assets	10	11	11	11	11
Total assets	2,503	2,789	3,490	4,372	5,501
Current liabilities	806	726	1,007	1,297	1,549
Loans	0	0	0	0	0
Trade payables	218	265	232	295	394
Other liquid liabilities	588	462	775	1,002	1,154
Long term liabilities	7	27	9	10	11
Loans	0	0	0	0	0
Others	7	27	9	10	11
Total liabilities	814	753	1,016	1,308	1,559
Total equity	1,689	2,036	2,474	3,065	3,942
Issued capital	0	0	0	0	0
Reserves	1,652	2,025	2,463	3,054	3,931
Minority interests	37	11	11	11	11
Total equity and liabilities	2,503	2,789	3,490	4,372	5,501

Cashflow Statement

RMB mn (FY end Jun)	2019	2020	2021E	2022E	2023E
Operating cashflow	690	431	972	1,187	1,490
Pretax profit	424	489	600	810	1,152
Deprec & amort.	134	166	210	262	343
Finance costs	0	0	0	0	0
Working capital chg	268	(68)	267	263	206
Others	(136)	(156)	(106)	(148)	(211)
CF from IA	(1,234)	(128)	(285)	(284)	(370)
Capital expenditure	(83)	(112)	(220)	(235)	(341)
Other investments	(1,152)	(15)	(65)	(49)	(29)
CF from FA	(7)	(61)	0	0	0
Borrowings	0	0	0	0	0
Dividends	(7)	(21)	0	0	0
Others	0	(40)	0	0	0
Net cash flow	(551)	242	687	903	1,120
Forex effect	(1)	0	0	0	0
Ending cash	261	503	1,190	2,093	3,213

Profit & Loss Statement

RMB mn (FY end Jun)	2019	2020	2021E	2022E	2023E
Revenues	1,499	1,483	1,798	2,317	3,141
Cost of sales	(1,027)	(983)	(1,159)	(1,476)	(1,972)
Gross profit	472	499	638	841	1,169
SG&A exp	(98)	(104)	(114)	(122)	(129)
Other income	25	73	45	45	45
Op profit	400	468	569	763	1,085
Net fin. costs	25	21	31	47	67
Share of results of JV	0	0	0	0	0
Non-recurring gains/(loss)	0	0	0	0	0
PBT	424	489	600	810	1,152
Taxes	(109)	(122)	(150)	(203)	(288)
Profit after tax	316	367	450	608	864
Minority interests	(22)	4	0	0	0
Reported net Profit	293	371	450	608	864
Recurring net Profit	293	371	450	608	864
Recurring EPS (RMB)	0.71	0.90	1.09	1.47	2.09

Financial Ratios

FY end Jun	2019	2020	2021E	2022E	2023E
YoY growth rate					
Revenue	28.2%	-1.1%	21.3%	28.9%	35.5%
Op profit	42.5%	17.1%	21.7%	34.1%	42.1%
Net profit (recurring)	35.1%	26.4%	21.4%	35.0%	42.1%
Profitability					
Gross margin	31.5%	33.7%	35.5%	36.3%	37.2%
NP margin (recurring)	19.6%	25.0%	25.0%	26.2%	27.5%
ROAE	20.9%	19.7%	20.0%	21.9%	24.7%

Liquidity

Debt to Asset	0.0%	0.0%	0.0%	0.0%	0.0%
Net debt to equity	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
Current ratio	2.2	2.1	2.2	2.4	2.8
Quick ratio	2.2	2.1	2.2	2.4	2.8

Operating efficiency

Asset turnover	0.6	0.5	0.5	0.5	0.6
Inventory days	N/A	N/A	N/A	N/A	N/A
AR days	N/A	1	1	1	1
AP days	64	90	78	65	64

Per share data (RMB)

EPS - recurring	0.71	0.90	1.09	1.47	2.09
CFPS	1.67	1.05	2.36	2.88	3.61
BVPS	3.85	4.70	5.77	7.21	9.34
DPS	0.00	0.00	0.00	0.00	0.00

Valuation ratios

P/E - recurring	38.0	30.0	24.7	18.3	12.9
P/B	7.0	5.7	4.7	3.7	2.9
Dividend yield	0.0	0.0	0.0	0.0	0.0

Note: 16 ordinary shares = 1 ADS

Sources: Company, HeungKong Financial



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NEUTRAL	Expect sector to perform in-line with the market over the next 12 months
UNDERWEIGHT	Expect sector to underperform the market over the next 12 months

Company Rating	Definition
BUY	Expect stock to generate 10%+ return over the next 12 months
NEUTRAL	Expect stock to generate +10% to -10% over the next 12 months
SELL	Expect stock to generate loss of 10%+ over the next 12 months

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