

Company's Earnings Estimates

Our Earnings Estimates using proprietary analytical tools to provide foreign readers the profits forecast based on international accounting standards with doses of in-depth research and local market business intelligence. The comparable (metrics) factored in domestic stocks and foreign peers so to offer a global perspective on valuations.

HAIER SMART HOME'S 2020 EARNINGS TO OUTPERFORM PEERS, ESTIMATE REVENUE TO GROW 48% YOY

Jan 9, 2020 (China Knowledge) – Haier Smart Home's (600690) 2020 earnings to grow at 48% YOY according to estimates made by Xinhuanet (Shanghai). Its current PE (TTM), as of Jan 3, is 14.8 as compare to industry's peers of 20.2 times.

The company core products include home appliances such as air conditioner, refrigerator, washing machine, small home appliance and home appliance parts, with online sales of RMB 3.12 bn, RMB 8.06 bn, RMB 7.71 bn, RMB 7.07 bn and RMB 3.1 bn respectively, in same period last year.

As of Q3 2019, the company recorded net operating cashflow of RMB 8.61 bn, up 17% YOY. Its cash conversion cycle (CCO), a metric that expresses the time (measured in days) it takes for a company to convert its investments in inventory and other resources into cash flows from sales, is negative 43 days. This presents solid cash liquidity of the company.¹⁾

In terms of patents, as of end Dec 2019, it holds 4,579 registrations in 4 categories including Invention Patent, Invention Authorization, Practical New Type and Design. The proportion of patents under each category is 20%, 18%, 47% and 15%, respectively. It has invested RMB 4.48 bn in R&D, accounting 4% of its total revenue.

Considering the above, earnings estimates in both China's domestic market and the international market for Haier derived its revenue, net income and EPS for the company in both the domestic and international markets are expected to increase in a steady trend in 2020 and 2021. However, YOY changes in the three metrics are expected to experience slight fluctuations.

By geographical share of revenue, its China domestic market versus the foreign is estimated at 53% and 47% in 2020 and 2021, respectively. Growth margin for domestic market to maintain at high 32%, and foreign to reach 26%.

Operation Performance Excellent

We have devised a performance rating specifically on home appliance sector. Based on a company's operational efficiency, revenue distribution and innovation, the combined scoring result is categorizing of "Excellent", "Good", "Average" or "Poor" in operation performance.

Operational Efficiency
 Revenue per Employee: RMB 192,419
 Operational Efficiency: RMB 64,828
 Operational Efficiency Relative: 12%

Revenue Distribution
 Export: 20%
 Domestic: 32%
 Gross Margin: 20%

Online Sales (RMB m)
 Refrigerator: +15%
 Air Conditioner: 3142
 Washing Machine: 1,884
 Avg Price (RMB): 2,023
 Premium Rate: 62%

Small Home Appliances
 Online Sales (RMB m): 70,267
 Avg Price (RMB): 361
 Premium Rate: 59%

Major Appliances Parts
 Online Sales (RMB m): 3
 Avg Price (RMB): 1.4
 Premium Rate: +1%

Earnings Estimates
 Company: Gree Electric Appliances 000651

Products

Product	Q3 2019	Q3 2018	% Change 2019-18
Refrigerator	26.20	26.20	0%
Air Conditioner	20.40	20.40	0%
Washing Machine	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%

Basic Information (as of 3 Jan)
 Stock Code: 000651 Industry: Home Appliances
 Market Cap: RMB 463.8 bn PE (TTM): 14.8

Earnings Estimates
 Company: Skyworth Digital (000810)

Products

Product	Q3 2019	Q3 2018	% Change 2019-18
Refrigerator	26.20	26.20	0%
Air Conditioner	20.40	20.40	0%
Washing Machine	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%

Basic Information (as of 3 Jan)
 Stock Code: 000810 Industry: Home Appliances
 Market Cap: RMB 14 (3.8) bn PE (TTM): 23.0

Earnings Estimates
 Company: Haier Smart Home 600690

Products

Product	Q3 2019	Q3 2018	% Change 2019-18
Refrigerator	26.20	26.20	0%
Air Conditioner	20.40	20.40	0%
Washing Machine	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%

Basic Information (as of 3 Jan)
 Stock Code: 600690 Industry: Home Appliances
 Market Cap: RMB 463.8 bn PE (TTM): 14.8

Earnings Estimates
 Company: Hisense Home Appliances Group (000921)

Products

Product	Q3 2019	Q3 2018	% Change 2019-18
Refrigerator	26.20	26.20	0%
Air Conditioner	20.40	20.40	0%
Washing Machine	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%

Basic Information (as of 3 Jan)
 Stock Code: 000921 Industry: Home Appliances
 Market Cap: RMB 174.5 bn PE (TTM): 14.8

Earnings Estimates
 Company: Sichuan Changhong Electric 600839

Products

Product	Q3 2019	Q3 2018	% Change 2019-18
Refrigerator	26.20	26.20	0%
Air Conditioner	20.40	20.40	0%
Washing Machine	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%
Washing Machine for Dishes	20.40	20.40	0%

Basic Information (as of 3 Jan)
 Stock Code: 600839 Industry: Home Appliances
 Market Cap: RMB 14 (3.8) bn PE (TTM): 23.0