

INDUSTRY SUB-SECTOR

Machinery-Constr&Mining



Currency  
HKD



EXCHANGE  
Hong Kong



INDUSTRY  
Machinery-Constr&Mining

## SANY HEAVY EQUIPMENT INTL

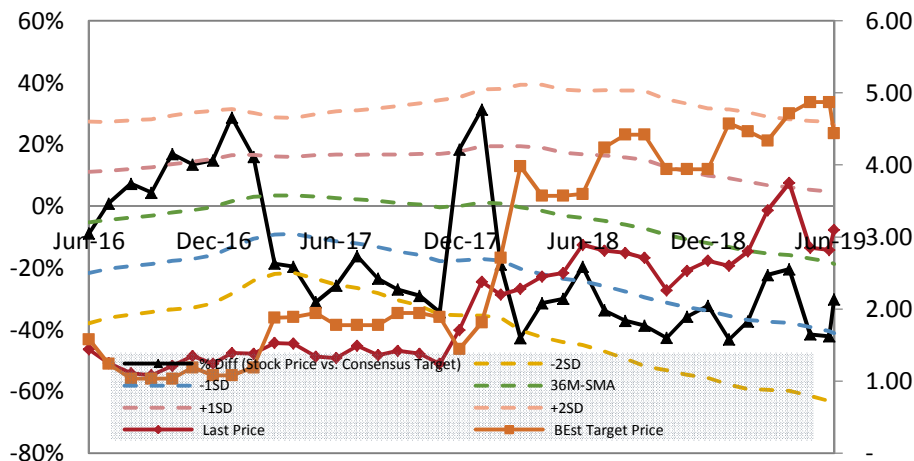
Sany Heavy Equipment International Holdings Company Limited develops, manufactures, and distributes coal mining machinery products. The Company produces roadheader, semi-coal rock roadheader, full rock roadheader, shearer, hydraulic support system, and other products. Sany Heavy Equipment International Holdings markets its products across worldwide.

**TRADING BUY with a TARGET PRICE of HKD3.55.** Concern over lower demand in construction equipments has been negated by its near historical low in valuation. Buying at the Low!

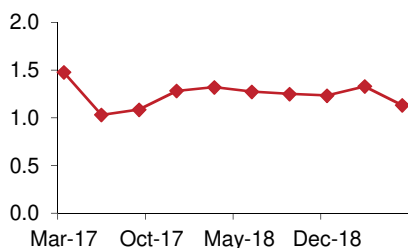
Value	★★★★★★	Operation Efficiency	★★★★★☆☆
Growth	★★★★★★	Credit Standing	★★★★★★
Profitability	★★★★★★	Overall Rating	★★★★★★

Latest 5 Consensus' Rating	Recommendation	Target Price
UOB Kay Hian	Buy	4.27
Industrial Securities	Buy	3.43
China Merchants Securities (Hong Kong)	Buy	4.89
CMB International Capital Corp Ltd	Buy	4.72
GF Securities Co. Ltd.	Buy	4.88

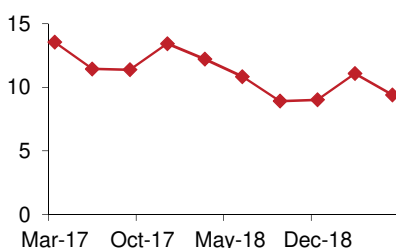
### Share Price vs. Consensus Target



### Est. Price-to-Sales Ratio



### Est. Price-to-Earnings Ratio



**43.2%**

Upside/Downside

**HKD 3.10**

Last Price

**HKD 4.44**

Consensus Target

Share Price

**4.12**

52 Week High

**2.06**

52 Week Low

**9605.31**

Market Cap (mil)

**3098.49**

Number of Shares Outstanding (mil)

**31.8**

Free Float

**6.7**

Avg. 6M Daily Vol Traded (mil)

**21.9**

Avg. 6M Daily Value Traded (mil)

**12/2018**

Fiscal Year End

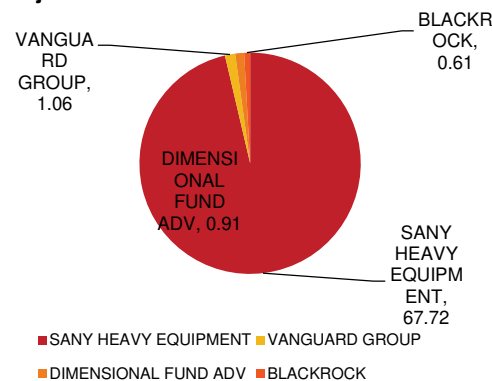
**2.60**

IDEAL B.O.W.

**3.60**

IDEAL S.O.S.

### Major Shareholders



### RELATIVE INDEX

INDEX WEIGHTING (%)	N.A.	HANG SENG INDEX	N.A.
ALT. RELATIVE INDEX	N.A.	HANG SENG CHINA ENT INDX	N.A.
ALT. INDEX WEIGHTING (%)	N.A.	S&P/HKEx GEM Index	N.A.
2ND. ALT. RELATIVE INDEX	N.A.	CONCENSUS TARGET PRICE	4.44 43%
2ND ALT. INDEX WEIGHTING (%)	N.A.	TARGET PRICE (H)	4.89 58%
CONCENSUS TARGET PRICE	4.44	TARGET PRICE (L)	3.43 11%
CONCENSUS RECOMMEN	Buy on Weakne BUY		
EXPECTED EARNING REP	cut-loss levels < 15/8/2019		
EXPECTED EARNING REPORT TIME	N.A.		
DIVIDEND PER SHARE LAST (GROSS)	0.1		
DIVIDEND PER SHARE LAST (NET)	0.1		
DIVIDEND EX DATE	N.A.		



Quarter Financials		2016s2	2017s1	2017s2	2018s1	2018s2
	HKD	(mil)	(mil)	(mil)	(mil)	(mil)
REVENUE		1,129	1,359	1,508	2,701	2,536
EBITDA		-649	322	378	674	501
OP		-768	193	220	536	373
PRETAX		-757	206	227	547	359
NET PROFIT		-702	147	170	440	305
EPS (SEN)		-0.23	0.05	0.06	0.14	0.10
EPS GROWTH		-128.7%	-121.0%	15.2%	159.3%	-30.7%
REVENUE GROWTH		-95.4%	20.3%	11.0%	79.2%	-6.1%
EBITDA MARGIN		-57.5%	23.7%	25.1%	24.9%	19.8%
NET MARGIN		-62.2%	10.9%	11.3%	16.3%	12.0%

Annual Financials		2016A	2017A	2018A	2019F	2020F
	HKD	(mil)	(mil)	(mil)	(mil)	(mil)
REVENUE		2,153	2,865	5,237	7,551	9,479
EBITDA		-611	700	1,170	1,463	1,805
OP		-843	412	904	1,399	1,729
PRETAX		-830	433	901	1,242	1,593
NET PROFIT		-755	317	741	964	1,222
REVENUE GROWTH (%)		-97.7	33.1	82.8	44.2	25.5
NET PROFIT GROWTH (%)		-103.8	-142.0	133.9	30.0	26.7

Valuation		2016A	2017A	2018A	2019F	2020F
PER (X)		N.A.	17.8	11.7	9.8	7.8
P/BV (X)		0.6	0.7	1.1	1.2	1.1
P/CF (X)		2.5	6.9	25.9	8.6	8.1
P/CF (X)		2.5	6.9	25.9	8.6	8.1
P/SALES (X)		1.8	1.7	1.6	1.3	6.7
EV/EBITDA (X)		N.A.	5.5	6.5	6.0	4.9
DIVIDEND YIELD (%)*		0.0	0.0	3.8	3.7	4.5

\* RELATIVE TO LAST PRICE

Profitability		2016A	2017A	2018A	2019F	2020F
EBITDA MARGIN (%)		-28.4	24.4	22.3	19.4	19.0
OPERATING MARGIN (%)		-39.2	14.4	17.3	18.5	18.2
PBT MARGIN (%)		-38.5	15.1	17.2	16.5	16.8
NET MARGIN (%)		-35.1	11.1	14.2	12.8	12.9
ROE (%)		-10.2	4.5	9.9	12.5	14.2
ROA (%)		-6.0	2.6	5.2	6.3	7.5

Financial Leverage		2016A	2017A	2018A	2019F	2020F
ASSETS/EQUITY (X)		1.7	1.8	2.0	N.A.	N.A.
LONG-TERM DEBT/EQUITY (X)		2.7	6.8	0.0	N.A.	N.A.
TOTAL DEBT/EQUITY (X)		2.7	6.8	21.9	N.A.	N.A.
INTEREST COVERAGE RATIO (X)		-507.1	172.6	44.1	N.A.	N.A.

PER SHARE DATA		2016A	2017A	2018A	2019F	2020F
EPS		-0.2	0.1	0.2	0.3	0.4
BVPS		2.2	2.5	2.4	2.6	2.8
DPS		0.0	0.0	0.1	0.1	0.1

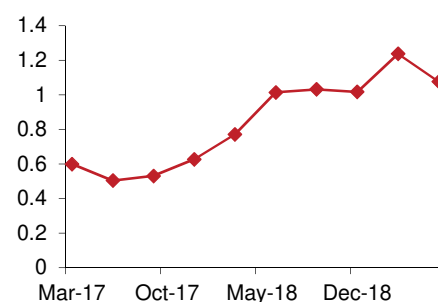
### Domestic Peers Comparison (FY19 Comparison)

	Mkt Cap	Price/Sales	PE Ratio	Price/Book	Price/CF	EV/EBITDA	Div Yield
<b>SANY HEAVY EQUIPMENT INTL</b>	<b>9,605</b>	<b>1.3</b>	<b>9.8</b>	<b>1.2</b>	<b>8.6</b>	<b>6.0</b>	<b>3.8</b>
CNHTC JINAN TRUCK CO LTD-A	12,580.6	0.3	9.0	1.6	7.5	6.6	5.6
GUANGXI LIUGONG MACHINERY-A	11,272.7	0.5	8.4	0.9	8.6	8.3	3.9
CHONGQING DIMA INDUSTRY CO-A	10,950.2	0.5	6.7	1.1	1.2	N.A.	6.0
HANGCHA GROUP CO LTD-A	9,018.0	0.8	12.2	1.8	9.3	8.0	3.0
LONKING HOLDINGS LTD	8,774.2	0.6	5.4	0.9	4.6	3.3	10.4
CHINA AUTOMOTIVE ENGINEERI-A	8,482.9	2.4	15.5	1.5	13.9	9.3	3.1
<b>Average</b>	<b>10,097.7</b>	<b>0.9</b>	<b>9.6</b>	<b>1.3</b>	<b>7.7</b>	<b>6.9</b>	<b>5.1</b>
HANG SENG INDEX	-	1.9	11.3	1.3	8.3	9.1	8.9
HANG SENG CHINA ENT INDX	-	1.1	8.6	1.1	5.9	8.1	11.3
S&P/HKEX GEM Index	-	2.6	N.A.	1.6	N.A.	N.A.	-8.2

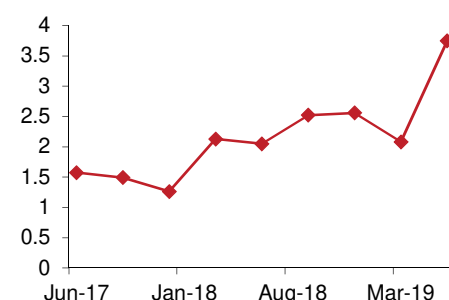
### Regional Peers Comparison (FY19 Comparison)

	Mkt Cap	Price/Sales	PE Ratio	Price/Book	Price/CF	EV/EBITDA	Div Yield
<b>SANY HEAVY EQUIPMENT INTL</b>	<b>9,605</b>	<b>1.3</b>	<b>9.8</b>	<b>1.2</b>	<b>8.6</b>	<b>6.0</b>	<b>3.8</b>
CNHTC JINAN TRUCK CO LTD-A	12,580.6	0.3	9.0	1.6	7.5	6.6	5.6
HYUNDAI ROTEM COMPANY	11,332.2	0.6	68.0	1.6	10.0	20.4	0.2
GUANGXI LIUGONG MACHINERY-A	11,272.7	0.5	8.4	0.9	8.6	8.3	3.9
CHONGQING DIMA INDUSTRY CO-A	10,950.2	0.5	6.7	1.1	1.2	N.A.	6.0
HANGCHA GROUP CO LTD-A	9,018.0	0.8	12.2	1.8	9.3	8.0	3.0
LONKING HOLDINGS LTD	8,774.2	0.6	5.4	0.9	4.6	3.3	10.4
<b>Average</b>	<b>10,504.7</b>	<b>0.7</b>	<b>17.1</b>	<b>1.3</b>	<b>7.1</b>	<b>8.8</b>	<b>4.7</b>

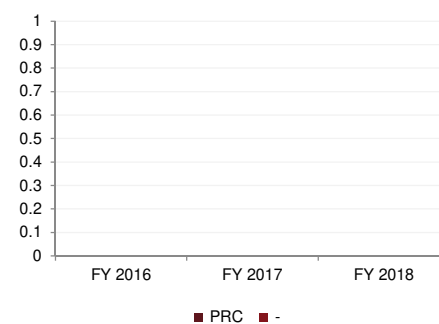
### Est. Price-to-Book Ratio



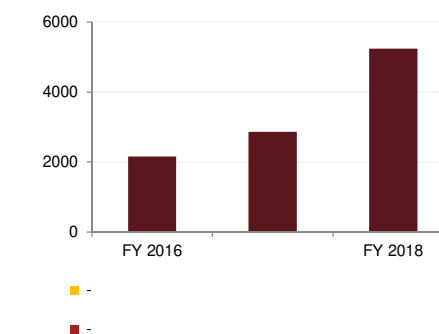
### Est. Dividend Yield



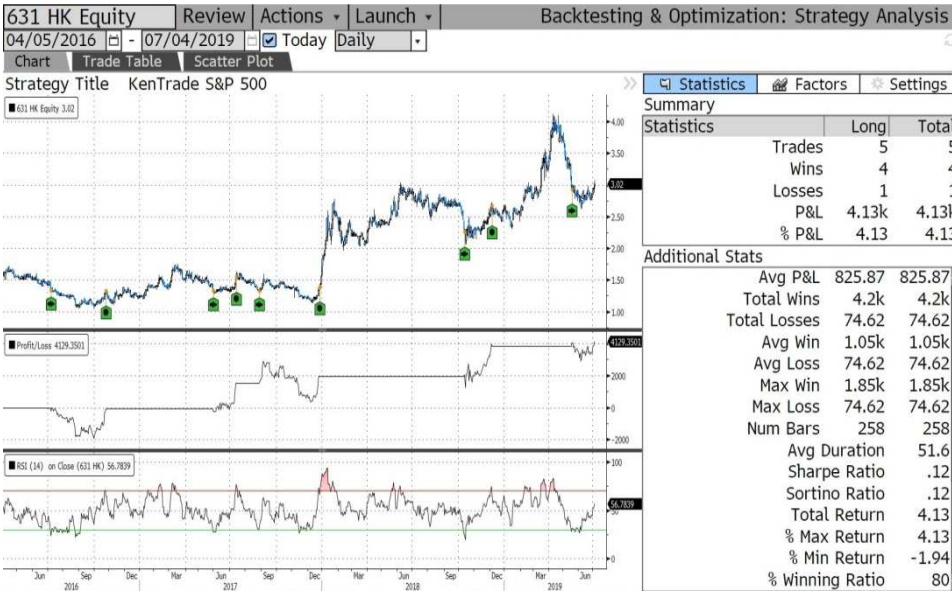
### Geographic Breakdown - Revenue



### Revenue Breakdown



Technical Analysis



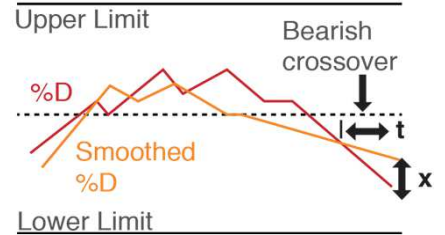
Explanation

This rules screens for counters that have a crossover between the %D and the Smoothed %D lines. When %D crosses up the Smoothed %D, it gives a bullish signal. Conversely, when the %D crosses down the Smoothed %D, it gives a bearish signal.

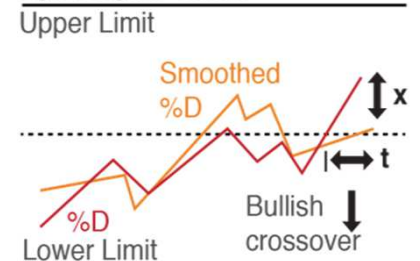
Parameter	Condition	Value
Lower Limit	=	20.0
Upper Limit	=	80.0
%K Period	=	14
%D Period	=	3
Smoothed %D Period	=	3
X	>=	15.0
t	<=	5
Rule Type	=	Daily
Data Type	=	Completed

Stochastics Signal Diagrams

Signal Diagram - Bearish



Signal Diagram - Bullish



Action	Date	Price	Shares	Trade P&L	% Max Return	% Min Return	% Max DD	Max DD Length	Recover From Max DD	Max DD Recover Period
Sell			3543						0	0
Buy	05/21/19	2.93	3543							
Sell	12/05/18	2.67	4511	1.85k	1.95	-0.71	1.14	5	16	21
Buy	10/12/18	2.26	4511							
Sell	12/22/17	1.39	7631	457.86	1.35	-1.13	2.45	64	N/A	N/A
Buy	08/29/17	1.33	7631							
Sell	07/14/17	1.54	7513	1.58k	1.58	-0.15	.45	1	2	3
Buy	06/01/17	1.33	7513							
Sell	10/26/16	1.33	7462	-74.62	.00	-1.94	1.94	56	N/A	N/A
Buy	07/08/16	1.34	7462							

Remarks/Comment

Technically speaking, downtrend channel is broken after the violation of HKD3.00. The stock is in the midst of swing towards the 38.2% Fibonacci Retracement (for the down-move from HKD4.12 to HKD2.62) Target Level of HKD3.20. A decisive surge above this resistance could see a swing towards higher resistance levels of HKD3.37 and HKD3.55, which are the 50.0% and 61.8% Fibonacci Retracement Target Levels. Coupled with its recent recovery of RSI from the Oversold territory, we believe is time to go for a Trading BUY with a tight STOP-LOSS <HKD2.98. TARGET objective is set at HKD3.55.



## Recommendation Methodologies

Any "BUY" recommendation for stock is derived on matches from the following three criteria:

- Technical BUY signals;
- Kenanga Quantitative Study; and
- Consensus BUY recommendation (powered by BLOOMBERG)

## Technical BUY signals

There are two sets of technical indicators screening processes to filter for "BUY" recommendation, i.e., (1) RSI and Candlesticks, and (2) RSI, Stochastic and Candlesticks. Set number 1 using "RSI and Candlesticks" is our preferred technical set.

### Screening criteria for

- RSI and Candlesticks: BUY when there is bullish reversal Candlestick, and RSI is oversold and rebounding; SELL when there is a bearish reversal Candlestick, and RSI is overbought and rebounding
- RSI, Stochastic and Candlesticks: BUY when there is bullish reversal Candlestick, and both RSI and Stochastic are oversold and rebounding; SELL when there is a bearish reversal Candlestick, and both RSI and Stochastic are overbought and rebounding.

## RSI and Stochastic settings for reference

RSI Period = 14, x = 6.0, t = 10

RSI Stochastic Period = 14, x = 6.0, t = 10  
Stochastic %K Period = 7, %D Period = 5, x = 7.0, t <= 10

## Kenanga Quantitative Study

The investment quality of the identified foreign stock is measured by five quantitative criteria, namely "VALUE", "GROWTH", "PROFITABILITY", "OPERATION EFFICIENCY"

and "CREDIT STANDING". The scoring system for these five criteria is as follows: "BUY" is +1, "HOLD" is 0, and "SELL" is -1. Any identified foreign stock would have to gain at least 3 out of 5 ratings in order to excel from our quantitative study.

- All these five quantitative criteria are derived post comparing the samples of the foreign stock's domestic listed peers.
- The scoring of the stock will be determined by; (a) total scoring > simple average of Mean and +1 Standard deviation: BUY rating; (b) total scoring < simple average of Mean and -1 Standard deviation: SELL rating; otherwise HOLD rating will be assigned.
- The following are the respective criteria measured under each quantitative study.

### VALUE – 13 rules and scorings

- Historical Price to Sales Ratio < Average;
- Estimated Price to Sales Ratio < Average;
- Estimated Price to Sales Ratio < Historical Price to Sales Ratio;
- Historical PER < Average;
- Estimated PER < Average;
- Estimated PER < Historical PER;
- Historical Price to Book < Average;
- Estimated Price to Book < Average;
- Estimated Price to Book < Historical Price to Book;
- Historical Price Earning Growth Ratio < 1;
- 1-Year Forward Price Earning Growth Ratio < 1;
- 2-Year Forward Price Earning Growth Ratio < 1; and
- Estimated Dividend Yield > Average.

### GROWTH – 7 rules and scorings

- Average Sales Growth > Average;
- Average EPS Growth > Average;
- Average DPS Growth > Average;
- Average Sales Growth > 3-year Historical Average Sales Growth;
- Average EPS Growth > 3-year Historical Average EPS Growth;
- Average DPS Growth > 3-year Historical Average DPS Growth; and
- Average EPS Growth > DDM Implied Growth.

### Profitability – 11 rules and scorings

### Operating Efficiency – 6 rules and scorings

### Credit Standing – 9 rules and scorings

### Consensus BUY recommendation (powered by BLOOMBERG)

### Note that, we would issue with a follow-up note to alert investor if and when consensus scoring deteriorates below 3.5.

### Consensus BUY recommendation (powered by BLOOMBERG)

The selection of identified foreign stock will be based on Bloomberg's consensus analysts' ratings on a scale of 1 to 5. An identified "BUY-recommended stock" would have to score at least 3.5 and above from the Bloomberg's rating system. In the event, the identified foreign stock's rating is below 2.5, this would be a SELL recommendation.

Note that, we would issue with a follow-up note to alert investor if and when consensus scoring deteriorates below 3.5.

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document

or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0800

Website: [www.kenanga.com.my](http://www.kenanga.com.my)

Email: [research@kenanga.com.my](mailto:research@kenanga.com.my)