

# EVA Holdings (838 HK)

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## Initial Coverage

### BUY

**Close price:** HK\$1.37

**Target Price:** HK\$2.30 (+67.9%)

#### Key Data

HKEx code	838 HK
12 Months High (HK\$)	2.58
12 Month Low (HK\$)	0.70
3M Avg Dail Vol. (mn)	15.27
Issue Share (mn)	1,743.62
Market Cap (HK\$mn)	2,388.76
Fiscal Year	12/2021
Major shareholder (s)	Zhang's family (44.4%)

Sources: Company data, Bloomberg, OP Research  
Closing price are as of 6/7/2022

#### Price Chart



	1mth	3mth	6mth
Absolute %	-8.1	+14.2	-24.3
Rel. MSCI CHINA %	-12.4	+10.8	-14.5

#### PE



#### Company Profile

EVA Precision Industrial Holdings Limited ("EVA Holdings") has developed into a comprehensive high-tech corporation that integrates electronic business, automotive component business and internet server business as a whole. The Company currently operate 12 industrial parks and more than 30 branches with the manufacturing base scattered across China, Southern Asia and North America.

## Kicking off a new growth cycle

- Automotive components business started to bear fruit
- Steady growth for OA equipment segment
- Share buyback shows management confidence in its future prospects

**Automotive components business has long runway for growth.** EVA's efforts to broaden the product category over the last decade has started to bear fruit. The close collaboration with Great Wall Motor and Tesla, and the ramp up of production for Mexico Industry Park will be the two major earnings boosters for the segment. The strong orders growth is expected to translate into revenue CAGR of 31.6% over the next 3 years. The Company said it has secured >HK\$3bn of orders backlogs from NEV manufacturers like Tesla and Lucid.

**Steady growth for Office Automation Equipment.** EVA benefits from the trend that major customers increase purchase from the Company when they are scaling down the internal production in China. We see EVA's increasing involvement in customers' product R&D and the new Development and Electronic Manufacturing Service business will strengthen collaborations with customers and win new orders from domestic customers like Lenovo.

**43.5% EPS CAGR between FY21-24E.** We expect the fast growing automotive components business which has a higher profitability will translate into strong profit growth. We project EVA's net profit to grow 77%/32%/28% yoy to HK\$275mn/364mn/465mn in FY22E/23E/24E, with net profit margin improving to 5.4% in FY24E from 3.0% in FY21.

**Share buyback shows management confidence.** EVA has bought-back 5.5mn shares from the market (0.3% of share outstanding) since it announced a six-month share buyback program in late Apr. The Company may spend up to HK\$200mn to buy-back shares when the price under HK\$2.00 between Apr and Oct 2022. The share buyback reaffirms our view that the Company's share price is trading below the intrinsic value. We think investors have overlooked EVA's growth potential of automotive components business with the current FY22E PER of 8.7x.

**Initiate BUY with target price of HK\$2.30.** Our SOTP target price represents 14.6x/11.0x FY22E/23E PER, of which HK\$1.47 is for the automotive components segment while HK\$0.83 is for the OA equipment segment. Further re-rating depends on the expansion of Mexico Factory and the growth of automotive components orders.

#### Exhibit 1: Forecast and Valuation

Year to Dec (HK\$ mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	4,008	5,109	5,961	7,131	8,561
Growth (%)	+7	+27	+17	+20	+20
Net profit	-15	155	275	364	465
Growth (%)	N/A	N/A	+77	+32	+28
Diluted EPS (HK\$)	-0.009	0.090	0.157	0.208	0.266
EPS growth (%)	N/A	N/A	+75	+32	+28
Consensus EPS (HK\$)			0.190	0.305	0.420
Change to previous EPS (%)					
ROE (%)	-0.6	5.7	9.5	11.4	13.3
P/E (x)	N/A	15.2	8.7	6.6	5.2
P/B (x)	0.9	0.9	0.8	0.7	0.6
Yield (%)	0.0	2.0	3.4	4.6	5.8
DPS (HK\$)	0.000	0.027	0.047	0.062	0.080

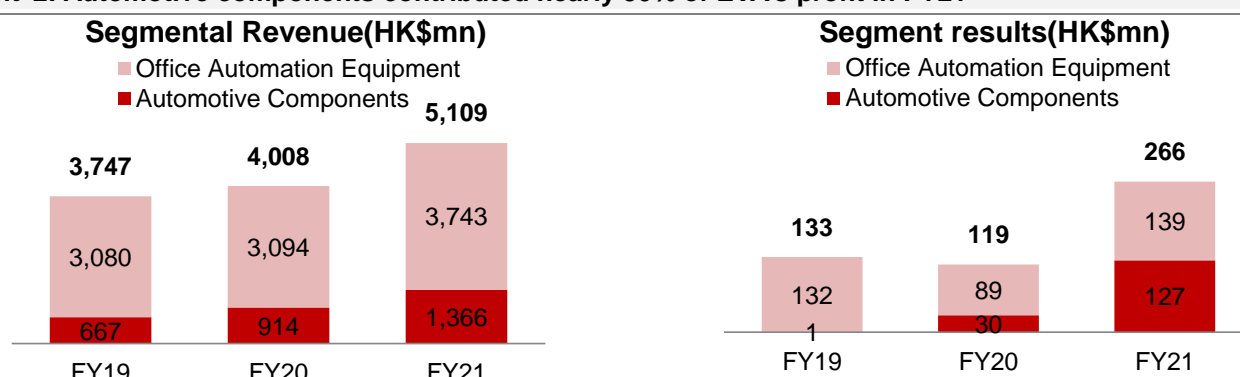
Sources: Bloomberg, OP Research

## Automotive components business set to be the main growth driver

EVA has broadened the product category from office automation equipment (i.e. printer related components) to automotive components with decade's effort.

The automotive components business has started to bear fruit in FY21, pinpointing by the significant increase in segment results. We expect automotive components business will be the main earnings contributor to EVA in future when (1) it broadens the customer portfolio and deepens collaboration with more renowned carmakers, and (2) it further expands the production of Mexico factory.

**Exhibit 2: Automotive components contributed nearly 50% of EVA's profit in FY21**



Sources: Company, OP research

**Exhibit 3: EVA's automotive components production plants**

Industrial park	GFA (Sqm)	Starting year	Customers
EVA (Guangming) Precision Manufacturing Industrial Park	55,000	2008	Aisin, Brose, Adien, Faurecia, Yachiyo, Gestamp, CTS, Tesla
Digit Zhongshan Automobile Industrial Park	35,000	2015	Webasto, Dongfeng Citroen, Honda, Faurecia, Topre, Gestamp, Great Wall, APAC, Dongfeng Peugeot, General Motor
Digit Wuhan Automobile Industrial Park	84,000	2014	
Digit Chongqing Automobile Industrial Park	34,000	2011	Ford, Mazda, ChangAn, SAIC-GM-Wuling, FAW-Volkswagen, Great Wall, Faurecia, Brose, YTC, Megna, Webasto
Digit (Chengyu) Automotive Industrial Park (To supplement Chongqing factory)	70,000	-	
Digit Mexico (SLP) Automobile Industrial Park	52,000	2019	BMW, Volkswagen, Audi, General Motors, Fiat Chrysler, Adient, Tachi, Brose, Faurecia, Gestamp, Lucid

Source: Company

**Exhibit 4: EVA's automotive components products**

We understand automotive seat frames contributes around half of revenue for the automotive components business. Faurecia is the largest automotive components customer.

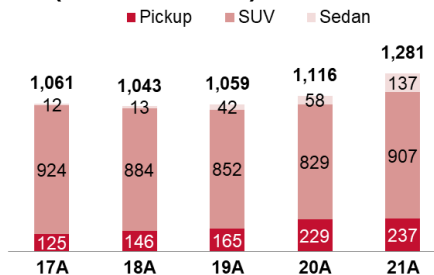


Source: Company

## Deepening collaboration with renowned automakers

### Great Wall Motor ("GWM")

#### GWM's car sales accelerated in 2021(Unit: thousand)



Source: Great Wall Motor

EVA has deepened collaboration with GWM in recent years. The Company was invited by GWM to build a production site in Yongchuan district in Chongqing to supply high-precision welding parts to GWM's production plant nearby (commenced from 2019, mainly for the production of pickup series and Haval series). This has greatly improved the operating performance of Chongqing production plant. Chongqing production plant turned to a profit in FY20 and the monthly sales exceeded RMB50mn in late 2021.

EVA is believed to benefit from strong car sales of GWM, especially from the pick-up series. Apart from that, we expect EVA to receive much more orders from GWM after GWM's new production plants in Jingmen begins production in 2021. The Company said it has tailored a welding production line in Wuhan Industry Park to serve GWM's Jingmen plant. We understand GWM has become the major customers of Wuhan Industry Parks.

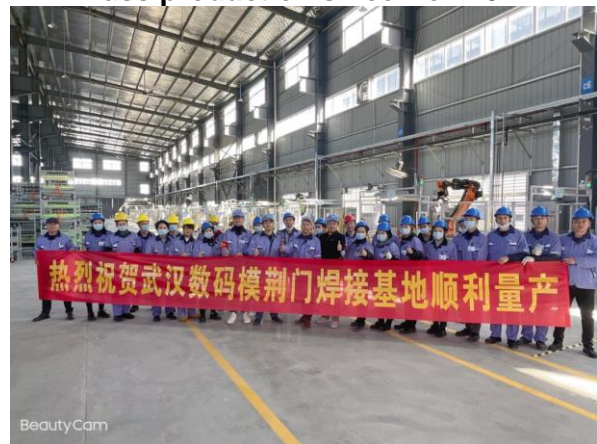
### Exhibit 5: EVA's collaboration with Great Wall Motor

#### EVA was awarded by Great Wall Motor as the "2021 Most Potential Supplier"



Source: Company

#### EVA's welding production lines tailored for Great Wall Motor in Wuhan Industry Park has begun mass production since Nov 2021



### Tesla and NEV manufacturers

EVA has started to receive massive orders directly from Tesla since 2H21 after it obtained Tier 1 supplier status in 2020.

We understand EVA currently supplies front car seat frames to all Tesla models produced in the North America. We estimate Tesla's annual direct orders will be around HK\$190mn based on the current installed annual capacity of Tesla factory in the California (600,000/year). The Tesla new production plant in Texas is expected to bring more seat frame orders from Tesla.

Tesla's tier 1 supplier status provides the valuable credential for sourcing new orders from NEV manufacturers. In 2021, EVA received projects from certain NEV manufacturers like Lucid Motors, an NEV manufacturer in the US. EVA said it will develop more products like the battery cover for NEV.



The Mexico Industry Park mainly provides stamping and welding manufacturing services and supplies seat frames, exhaust pipes, body components, chassis and other automotive components to North American automotive OEMs and Tier 1 suppliers.

In FY21, Revenue of Mexico business jumped 250% yoy, mainly due to:

- (1) the resumption of production during the year which significantly improved the utilization rate; and
- (2) the strengthened cooperation with automotive suppliers like Faurecia and Adient.

### Mexico Industry Park to better serve overseas customers

EVA's Mexico Industry Park has started to commence from 2019 to complement production projects of European and US automotive suppliers and automakers (such as Faurecia, Adient, Brose and Tesla).

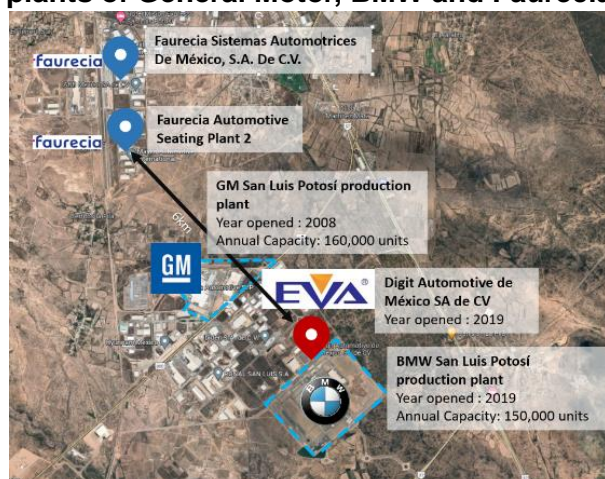
Since then, EVA has been transferring the production of automotive seat frames from China to Mexico. The Mexico business can solicit existing customers and capture the enormous demand exists for the automotive precision components. The factory is close to production plants of many renowned automakers and multi-national tier-one suppliers, such as BMW, Volkswagen, Audi, General Motors, Fiat Chrysler, Brose, Faurecia and Gestamp.

EVA has accelerated the expansion of Mexico Industry Park to meet the surging demand. The Company is carrying out the trial run for the phase two industry park and it has started the investment on phase three industry park. We expect the Mexico business will reach the HK\$1bn revenue milestone in the next few years.

Mexico business will benefit from the scale economies and the improving operating condition. The Industry Park has connected with the state electrical grid network from May 2022, which is believed to improve the operating efficiency and remove the stumbling block for further production expansion.

### Exhibit 6: EVA's Mexico Industry Park

**EVA's Mexico factory is very close to production plants of General Motor, BMW and Faurecia**



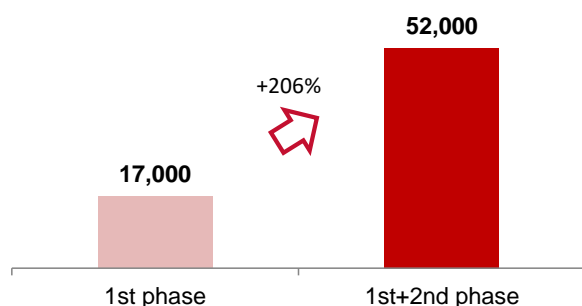
Sources: Company, Open sources, OP research

**EVA has completed installation of equipment for the 2nd phase of Mexico Industry Park in early 2022**



### Exhibit 7: Expansion of Mexico Industry Park

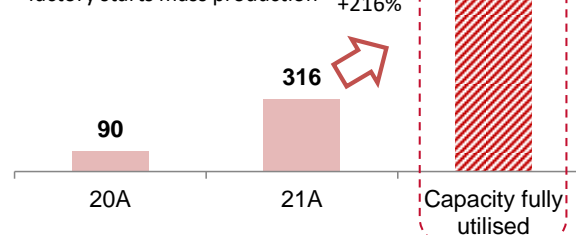
**GFA of Mexico industry park increased significantly after the completion of 2<sup>nd</sup> phase factory(Sqm)**



Sources: Company, OP research

### Revenue of Mexico business (HK\$mn)

The Mexico Industry Park can undertake production orders worth HK\$1.0bn after Mexico's 2nd phase factory starts mass production



## Office Automation – steady outlook ahead

The OA equipment market is very fragmented. It is understood other suppliers in the market are highly specialized in product type that they are unable to produce a wide range of OA equipment and components

EVA is the leading player in the Office Automation (“OA”) equipment market in China. The Company can deliver vertically integrated one-stop services from R&D, manufacturing, assembly, testing and quality control. The Company has long-existing business relationship with the leading office automation solutions providers such as Fuji Xerox, Kyocera etc.

### Exhibit 8: EVA's Office Automation Equipment production plants

Industrial park	GFA(Sqm)	Starting year
EVA Shenzhen (Shiyan) Electronic Industrial Park	88,000	2002
EVA Shenzhen (Tianliao) Smart Device Industrial Park	48,000	2012
EVA Suzhou Electronic Industrial Park	82,000	2006
EVA Weihai (Intops) Electronic Industrial Park	21,000	
EVA Weihai (Double Islands Bay) Electronic Industrial Park	58,000	2019
EVA Vietnam (Haiphong) Electronic Industrial Park	12,000 sq.m. (Phase 1) 46,000 sq.m. (Phase 2)	2016

Sources: Company

### Exhibit 9: EVA's Office Automation Equipment products and customers

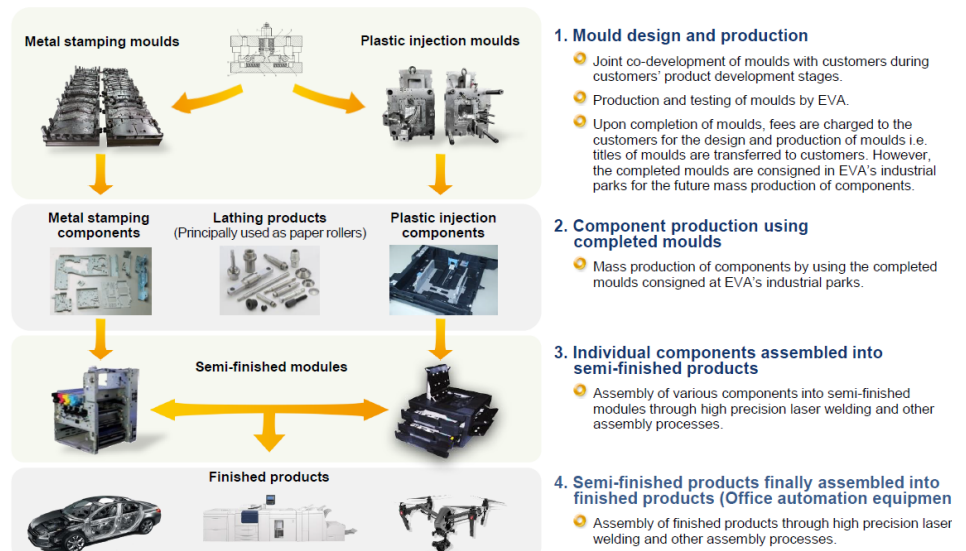


Source: Company

## Vertically integrated one-stop services to gain market share

EVA is the only few suppliers in China that produce a wide range of OA equipment components. EVA could gain market share through the one-step end-to-end manufacturing services **especially when OA solutions providers increase purchases from EVA and other third-party suppliers after they scaled down their internal production lines in China.**

### Exhibit 10: EVA's vertically integrated one-stop services

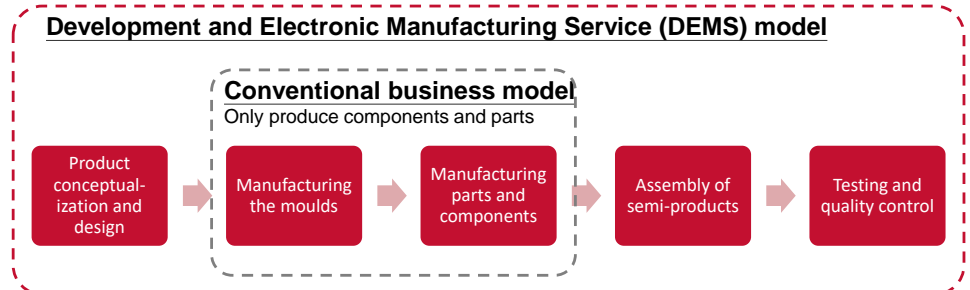


Source: Company

EVA has set a new product development team to work closely with the customers' product design developments in Japan

EVA solidifies customer relations through (1) increasing collaboration with customers at the early stage of product development and (2) highly customized manufacturing solutions.

#### Exhibit 11: EVA's DEMS business covers the entire production process of OA equipment



Sources: Company, OP research

In FY21, DEMS business accounts for around 20% of the overall production capacity of the Weihai Industrial Park

EVA provides high customisation on OA equipment with the DEMS. This will reduce the additional logistic costs and excess production lead time of OA equipment to customers. The first series of printer products, which is jointly designed and developed by the Company and the customer, has begun to mass produce in 2021. We believe the **DEMS business will win more customers and orders and become the main revenue model for EVA in future.**

#### DEMS reduces entry barriers for domestic customers

DEMS enables domestic customers to enter into the OA market with lower cost. EVA has already secured customers such as Great Wall Electronics and Lenovo to co-develop and introduce OA products to the market. The first co-developed product with Lenovo is expected to be released this year

#### **Weihai and Vietnam business become the main growth engine**

In FY21, turnover from Weihai and Vietnam jumped 63% and 46% yoy respectively. The DEMS model has boosted turnover of Weihai business, while the Vietnam business benefits from the significant increase of orders from two key customers, Fujifilm and Kyocera.

Weihai business will grow along with the prosperous printer equipment industry chain in the city, which lots of the renowned brands like Foxconn, Jabil and Lenovo have subsidiaries to produce OA equipment in the City. EVA sees the HP's disposal of Weihai OA factory to Foxconn in late 2021 as an opportunity that it can win more orders and promote the DEMS business within the industry cluster.

Vietnam business benefits from the growing investment of renowned OA solutions providers in the Country. In addition to strong orders from major customers, EVA transfers the production of certain products from China to Vietnam. This will support earnings growth in the coming year. The Company said Vietnam factory's capacity is nearly fully utilized and it will expand the factory in future.

#### More M&A opportunities

EVA has more feasible M&A targets when some peers are leaving the China market. This offers opportunities for EVA to gain market shares and further solidify collaborations between EVA and customers.

In 2021, EVA acquired Futaba Metal (it was then renamed Shenzhen EVA Technology Intelligent Manufacturing Co afterwards), at a consolidation of HK\$68.8mn. The Company mainly supplies OA equipment to Fujifilm. EVA will merge the production capacity of the acquired company with the Company's existing production facilities this year to improve the overall operating efficiency.

Weihai Government plans (1) the economic value of printer industry in the city will exceed RMB100bn by 2025; and (2) the annual production capacity of printer to exceed 30mn in the long-term

## Our view on EVA's OA Equipment and Automotive components segment

**Exhibit 12: Our comments on EVA's OA Equipment and automotive components businesses**

	Office Automation Equipment	Automotive components
Product application	Printers, printer parts	Automotive seats moulds, bodies, chassics and other moulds related products
Outlook (Highest:5 stars)	★ ★ ★	★ ★ ★ ★
Our forecast on revenue, segment results and segmental profit margin (FY20A-24E)	<p>Revenue: 3,094 (20A), 3,743 (21A), 4,118 (22E), 4,735 (23E), 5,446 (24E) Segmental PM: 2.9% (20A), 3.7% (21A), 4.0% (22E), 4.3% (23E), 4.3% (24E)</p> <p>CAGR between FY22E and 24E Revenue : 13.3% Segment results : 19.0%</p>	<p>Revenue: 914 (20A), 1,366 (21A), 1,843 (22E), 2,396 (23E), 3,115 (24E) Segmental PM: 3.3% (20A), 9.3% (21A), 10.3% (22E), 10.8% (23E), 11.3% (24E)</p> <p>CAGR between FY22E and 24E Revenue : 31.6% Segment results : 40.5%</p>
Management's Comment	<ul style="list-style-type: none"> <li>- The growing DEMS business will slightly drag down GPM, due to the low margin assembly business.</li> <li>- The recent Covid-19 lockdown in China has temporarily reduced the factory utilisation, especially for Suzhou factory</li> <li>- Vietnam Factory is close to fully utilisation. It will start to expand in the near term</li> <li>- "Paper-light" office is yet to become a trend in China.</li> </ul>	<ul style="list-style-type: none"> <li>- GPM of Automotive components can reach 30%</li> <li>- Currently orders from NEV manufacturers(like Tesla, Lucid) exceeded &gt;HK\$3.0bn on hand.</li> <li>- GWM becomes the main customer in Chongqing and Wuhan factory. The components are mainly be used in GWM's pick-up series</li> <li>- 2<sup>nd</sup> phase of Mexico factory is ready for mass production</li> </ul>
Our Comments	<ul style="list-style-type: none"> <li>- EVA will be the main beneficiary from the industry consolidation of OA equipment in China. The increase of market share will be the major growth driver for the segment. We expect the segmental revenue will grow 10-15% yoy during the next few year.</li> <li>- We think the segmental profit margin will recover to FY19's level(4.3%) by 2023. Meanwhile, we estimate GPM will stay around 19% in the next few year, due to the increasing contribution from the DEMS business</li> <li>- Business in Vietnam and Weihai will benefit from growing OA industry chain in the regions.</li> </ul>	<ul style="list-style-type: none"> <li>- We expect the segmental revenue will grow at 30-35% yoy during the next few years amid (1) sizable capacity expansion of Mexico factory to meet the robust orders from overseas customers, and (2) the deepening collaboration with Great Wall Motor which is expected to boost the sales of automotive components in China.</li> <li>- Profit margins will further improve with larger production scale, especially for the business in Mexico. We estimate GPM will improve to 27% in FY24E from ~22% in FY21E.</li> </ul>
Upside risks	1. More M&A to gain market share	1. More new orders when it solicits more customers and/or broaden product categories
Downside risks	1. Diseconomies of scale for some factories during the lockdown	1. Shortfall of orders due to supply chain disruption 2. Slow ramp up of production for Mexico factory

Sources: Company, OP research



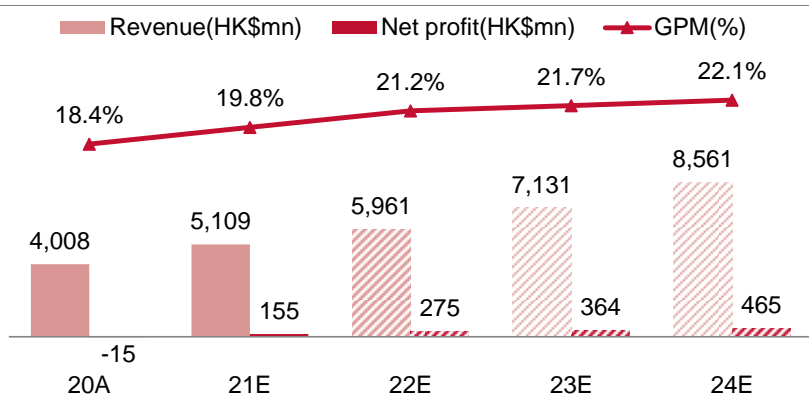
## Initiate BUY on EVA's new earnings rally

### 43.5% EPS CAGR between FY22E and 24E

We project EVA's net profit to grow 77%/32%/28% yoy to HK\$275mn/364mn/465mn on the back of 17%/20%/20% yoy growth of revenue in FY22E/23E/24E. This is mainly driven by the rapid growing automotive components business which has higher profitability. Meanwhile, OA equipment business will maintain steady growth.

For FY22E, we are confident that EVA's revenue from OA/automotive components businesses will grow 10%/35% yoy even when the recent Covid lockdown in China has temporarily reduced customers' orders. Meanwhile, we expect GPM to improve by 1.4 p.p. yoy to 21.2% thanks to (1) the increase in contribution of automotive components, which has higher profit margin, and (2) the better economies of scale of Weihai and Mexico Industry Park.

**Exhibit 13: EVA's revenue, net profit and GPM**



Sources: Company, OP research



### Target price of HK\$2.30

We reach the target price of EVA based on the Sum of the Part (SOTP) valuation analysis.

For the OA Equipment segment, we assign HK\$1.46bn value based on FY22E PER of 11.7x, which is 20% discount to the average historical PER between 2015-19, which OA equipment contributed most of the earnings at that time.

For the automotive components segment, we assign HK\$2.57bn value based on FY22E PEG of 0.42x, a 40% discount to peers' average FY22E PEG of 0.69x. The value also represents FY22E PER of 17.0x based on our forecasted 40.5% earnings CAGR for the automotive components business in the next 3 years.

#### Exhibit 14: SOTP Valuation

	Methodology	Multiple	Value (HK\$ bn)	Per share (HK\$)
OA Equipment	20% discount to the average historical PER of EVA in 2015-19 (14.6x), which OA equipment contributed most of the earnings at that time	FY22E PER of 11.7x	1.46	0.83
Automotive components	40% discount to the automotive components peers' PEG ratio(0.69x) for FY22E	PEG of 0.42x or PER of 17.0x for FY22E	2.57	1.47
				<b>2.30</b>

Source: OP Research

#### Exhibit 15: Valuation analysis for the automotive components segment

HK listed peer's name	Code	Forward P/E	EPS Growth CAGR in next 3 fiscal years	FY22E PEG ratio
Johnson Electric	179 HK	7.0x	9.9%	0.71x
Minth Group	425 HK	13.0x	18.0%	0.72x
LK TECH	558 HK	23.1x	25.5%	0.91x
Nexteer	1316 HK	12.7x	29.3%	0.43x
			Average PEG for FY22E	0.69x
			<b>40% discount on peers' PEG</b>	<b>0.42x</b>

Sources: Bloomberg, OP Research

#### Exhibit 16: Peers comparison

Company	Ticker	Price	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	PER Hist (x)	PER FY1 (x)	PER FY2 (x)	3-Yr EPS Cagr (%)	PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B Hist (x)	P/B FY1 (x)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
Eva Precision	838 HK	1.37	304	2.8	15.2	8.7	6.6	43.5	0.2	2.0	3.4	0.9	0.8	5.7	9.5	-8.1	+14.2
HSI		21,586.66			8.0	11.1	9.7	(2.7)	(4.1)	3.1	3.27	0.9	1.1	10.9	10.3	0.3	-1.0
HSCEI		7,545.92			6.7	9.2	8.2	(2.8)	(3.3)	3.5	3.51	0.8	1.1	11.3	11.7	1.0	0.7
CSI300		4,423.97			16.4	14.2	12.2	15.6	0.9	1.9	2.2	2.0	1.9	12.4	13.1	5.9	5.1
<b>Adjusted sector avg*</b>					<b>7.8</b>	<b>8.3</b>	<b>6.6</b>	<b>21.3</b>	<b>0.5</b>	<b>4.4</b>	<b>4.3</b>	<b>0.9</b>	<b>1.6</b>	<b>12.4</b>	<b>14.2</b>	<b>-3.8</b>	<b>+5.1</b>
Chen Hsong Hldgs	57 HK	2.32	186	0.2	6.9	N/A	N/A	N/A	N/A	7.2	N/A	0.5	N/A	6.9	N/A	+0.9	+1.3
Johnson Elec H	179 HK	9.80	1,131	1.4	7.6	6.9	6.1	9.5	0.7	5.2	4.2	0.5	0.4	6.3	7.1	-6.8	-8.4
L.K. Technology	558 HK	13.50	2,368	17.6	29.6	23.1	17.3	25.6	0.9	0.6	0.9	5.0	4.2	19.9	19.9	-2.3	+27.6
Impro Precision	1286 HK	2.22	533	0.3	10.9	7.8	6.0	35.0	0.2	4.5	N/A	1.0	0.8	9.1	11.3	+5.7	+13.8
Nexteer	1316 HK	6.09	1,948	6.7	15.5	12.7	8.4	29.3	0.4	1.2	N/A	1.0	N/A	6.2	N/A	+18.5	+24.5
Haitian Intl	1882 HK	19.98	4,064	2.5		9.4	8.5	5.1	1.8	4.8	N/A	1.7	N/A	19.9	N/A	-7.1	+0.2
TK Group	2283 HK	1.89	201	0.0	5.6	4.8	3.7	23.5	0.2	7.4	7.9	1.0	0.9	18.7	18.6	-13.3	-23.5

Sources: Bloomberg, OP research

\* Outliners and "N/A" entries are in excl. from the calculation of averages

## Financial Summary

Year to Dec	FY20	FY21	FY22E	FY23E	FY24E
<b>Income Statement (HK\$ mn)</b>					
OA equipment	3,094	3,743	4,118	4,735	5,446
Automotive components	914	1,366	1,843	2,396	3,115
<b>Turnover</b>	<b>4,008</b>	<b>5,109</b>	<b>5,961</b>	<b>7,131</b>	<b>8,561</b>
YoY%	+7	+27	+17	+20	+20
COGS	-3,270	-4,096	-4,696	-5,587	-6,668
<b>Gross profit</b>	<b>738</b>	<b>1,013</b>	<b>1,264</b>	<b>1,544</b>	<b>1,892</b>
Gross margin	18.4%	19.8%	21.2%	21.7%	22.1%
Other income	-3	3	35	35	35
Selling & distribution	-237	-315	-370	-442	-531
Admin	-463	-506	-578	-677	-813
R&D	0	0	0	0	0
Other opex	0	0	0	0	0
<b>Total opex</b>	<b>-700</b>	<b>-821</b>	<b>-948</b>	<b>-1,120</b>	<b>-1,344</b>
<b>Operating profit (EBIT)</b>	<b>35</b>	<b>195</b>	<b>351</b>	<b>459</b>	<b>583</b>
Operating margin	0.9%	3.8%	5.9%	6.4%	6.8%
Provisions	0	0	0	0	0
Interest Income	11	13	13	13	13
Finance costs	-43	-28	-28	-28	-28
Profit after financing costs	3	180	336	444	567
Associated companies & JVs	-16	0	0	0	0
Pre-tax profit	-13	180	336	444	567
Tax	-2	-25	-60	-80	-102
Minority interests	0	0	0	0	0
<b>Net profit</b>	<b>-15</b>	<b>155</b>	<b>275</b>	<b>364</b>	<b>465</b>
YoY%	N/A	N/A	+77	+32	+28
Net profit margin	-0.4%	3.0%	4.6%	5.1%	5.4%
<b>EBITDA</b>	<b>254</b>	<b>471</b>	<b>631</b>	<b>749</b>	<b>882</b>
EBITDA margin	6.3%	9.2%	10.6%	10.5%	10.3%
<b>EPS(HK\$)</b>	<b>-0.009</b>	<b>0.090</b>	<b>0.157</b>	<b>0.208</b>	<b>0.266</b>
YoY%	N/A	N/A	+75	+32	+28
<b>DPS(HK\$)</b>	<b>0.000</b>	<b>0.027</b>	<b>0.047</b>	<b>0.062</b>	<b>0.080</b>
Year to Dec	FY20	FY21	FY22E	FY23E	FY24E
<b>Cash Flow (HK\$ mn)</b>					
EBITDA	254	471	631	749	882
Chg in working cap	194	-213	-75	-101	-125
Others	70	32	0	0	0
<b>Operating cash</b>	<b>517</b>	<b>290</b>	<b>556</b>	<b>648</b>	<b>757</b>
Interest received	11	13	13	13	13
Interest paid	-53	-33	-38	-38	-38
Tax	-23	-10	-25	-60	-80
<b>Net cash from operations</b>	<b>453</b>	<b>259</b>	<b>505</b>	<b>562</b>	<b>652</b>
Capex	-243	-376	-380	-380	-380
Investments	-8	0	0	0	0
Dividends received	0	-6	0	0	0
Others	196	45	0	0	0
<b>Investing cash</b>	<b>-54</b>	<b>-337</b>	<b>-380</b>	<b>-380</b>	<b>-380</b>
<b>FCF</b>	<b>399</b>	<b>-78</b>	<b>125</b>	<b>182</b>	<b>272</b>
Issue of shares	0	31	0	0	0
Buy-back	0	0	-8	0	0
Dividends paid	-50	-21	-47	-83	-109
Net change in bank loans	-11	6	0	0	0
Others	-22	-34	0	0	0
<b>Financing cash</b>	<b>-84</b>	<b>-18</b>	<b>-55</b>	<b>-83</b>	<b>-109</b>
<b>Net change in cash</b>	<b>315</b>	<b>-96</b>	<b>71</b>	<b>99</b>	<b>162</b>
Exchange rate or other Adj	20	9	0	0	0
Opening cash	1,071	1,406	1,318	1,389	1,488
<b>Closing cash</b>	<b>1,406</b>	<b>1,318</b>	<b>1,389</b>	<b>1,488</b>	<b>1,650</b>
<b>CFPS (HK\$)</b>	<b>0.264</b>	<b>0.148</b>	<b>0.289</b>	<b>0.321</b>	<b>0.372</b>

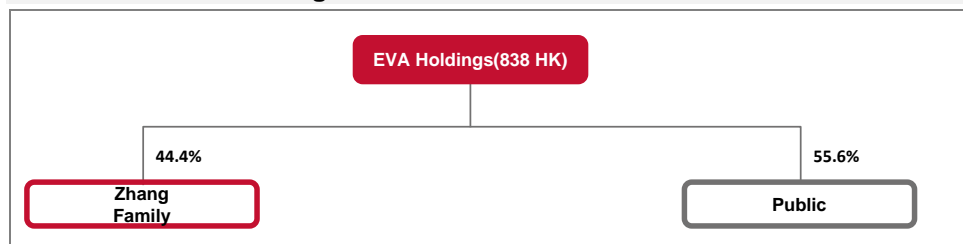
Sources: Company, OP Research

Year to Dec	FY20	FY21	FY22E	FY23E	FY24E
<b>Ratios</b>					
Gross margin (%)	18.4	19.8	21.2	21.7	22.1
Operating margin (%)	0.9	3.8	5.9	6.4	6.8
Net margin (%)	-0.4	3.0	4.6	5.1	5.4
Selling & dist'n exp/Sales (%)	5.9	6.2	6.2	6.2	6.2
Admin exp/Sales (%)	11.5	9.9	9.7	9.5	9.5
Payout ratio (%)	0.0	30.0	30.0	30.0	30.0
Effective tax (%)	75.9	13.9	18.0	18.0	18.0
Total debt/equity (%)	76.0	70.8	65.1	59.4	53.5
Net debt/equity (%)	17.3	19.9	15.9	11.6	6.0
Current ratio (x)	1.2	1.1	1.2	1.2	1.2
Quick ratio (x)	1.0	0.9	0.9	1.0	1.0
Inventory T/O (days)	60	61	61	61	61
AR T/O (days)	94	99	99	99	99
AP T/O (days)	129	122	122	122	122
Cash conversion cycle (days)	25	38	38	38	38
Asset turnover (x)	0.7	0.8	0.9	1.0	1.1
Financial leverage (x)	2.3	2.3	2.3	2.3	2.3
EBIT margin (%)	0.9	3.8	5.9	6.4	6.8
Interest burden (x)	-0.4	0.9	1.0	1.0	1.0
Tax burden (x)	1.2	0.9	0.8	0.8	0.8
<b>Return on equity (%)</b>	<b>-0.6</b>	<b>5.7</b>	<b>9.5</b>	<b>11.4</b>	<b>13.3</b>
Year to Dec	FY20	FY21	FY22E	FY23E	FY24E
<b>Balance Sheet (HK\$ mn)</b>					
Fixed assets	2,281	2,418	2,518	2,608	2,689
Right-of-use assets	373	384	384	384	384
Associated companies & JVs	33	35	35	35	35
Tax	7	7	7	7	7
Other non-current assets	137	88	88	88	88
<b>Non-current assets</b>	<b>2,831</b>	<b>2,932</b>	<b>3,032</b>	<b>3,122</b>	<b>3,204</b>
Inventories	541	688	789	939	1,121
AR	1,028	1,382	1,612	1,929	2,316
Prepayments & deposits	168	150	150	150	150
Restricted Cash	127	103	103	103	103
Cash	1,406	1,318	1,389	1,488	1,650
<b>Current assets</b>	<b>3,271</b>	<b>3,642</b>	<b>4,044</b>	<b>4,609</b>	<b>5,340</b>
AP	1,159	1,373	1,574	1,873	2,235
Tax	11	23	23	23	23
Accruals & other payables	228	284	338	405	486
Bank loans	1,277	1,448	1,448	1,448	1,448
CB & other debts	0	0	0	0	0
Contract liabilities	82	68	68	68	68
Other current liabilities	18	31	31	31	31
<b>Current liabilities</b>	<b>2,774</b>	<b>3,226</b>	<b>3,482</b>	<b>3,847</b>	<b>4,290</b>
Bank loans	625	460	460	460	460
CB & other debts	0	0	0	0	0
Tax & others	93	99	99	99	99
<b>Non-current liabilities</b>	<b>718</b>	<b>559</b>	<b>559</b>	<b>559</b>	<b>559</b>
<b>Total net assets</b>	<b>2,610</b>	<b>2,788</b>	<b>3,035</b>	<b>3,325</b>	<b>3,694</b>
<b>Shareholder's equity</b>	<b>2,610</b>	<b>2,788</b>	<b>3,035</b>	<b>3,325</b>	<b>3,694</b>
Share capital	172	175	175	175	175
Reserves	2,438	2,614	2,860	3,150	3,519
MI	0	0	0	0	0
<b>BVPS (HK\$)</b>	<b>1.52</b>	<b>1.59</b>	<b>1.74</b>	<b>1.90</b>	<b>2.11</b>

## Appendix I: Company info

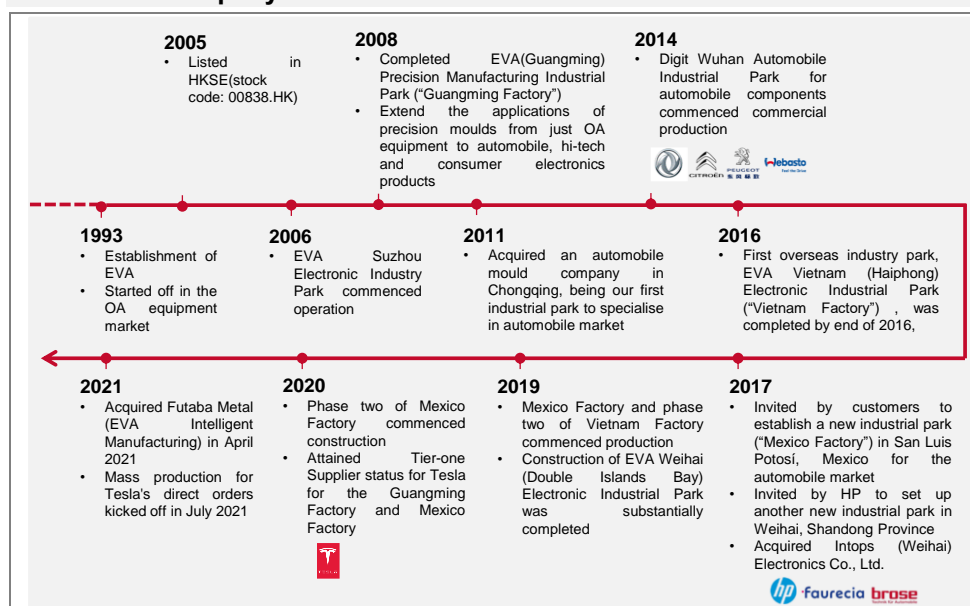
EVA Precision Industrial Holdings Limited ("EVA Holdings") is established in 1993 and listed on the Main Board of the Hong Kong Stock Exchange in 2005. The Company has developed into a comprehensive high-tech corporation that integrates electronic business, automotive component business and internet server business as a whole. The Company currently operates 12 industrial parks and more than 30 branches with the manufacturing base scattered across China, Southern Asia and North America.

### Exhibit 17: Shareholding structure



Sources: Company, OP Research

### Exhibit 18: Company's Milestones



Sources: Company, OP Research

### Exhibit 19: Management profile

Name	Age	Position	Description
Mr. ZHANG Hwo Jie	59	Chairman	Co-founder of the Group More than 25 years of experience in marketing, strategic planning and corporate management in the precision moulding industry Responsible for the Group's overall strategic planning and marketing development
Mr. ZHANG Jian Hua	47	Vice Chairman	Co-founder of the Group Substantial experience in organisational planning, production facilities management and business risk monitoring in the precision moulding industry Responsible for the Group's organisational structure, production facilities management and business risk monitoring
Mr. ZHANG Yaohua	49	CEO	Co-founder of the Group More than 25 years of operational management experience in the precision moulding industry Responsible for the operation and management of the Group
Ms. LEE Hiu Laam Joyce	34	CFO, Company Secretary	Over 8 years of experience in accounting, auditing and financial management Responsible for the accounting, taxation and financial affairs of the Group

Sources: Company, OP Research

## Our recent reports

Date	Company / Sector	Stock Code	Title	Rating	Analyst
04/05/2022	China Edu Group	839	1H22 results showed strong organic growth of higher schools	BUY	John Siah
29/04/2022	Edvantage Group	382	1H22 earnings remains robust despite higher costs	BUY	John Siah
28/04/2022	New Higher Edu	2001	Mixed 1H22 results amid investments to deliver quality education	BUY	John Siah
08/04/2022	Tian Lun Gas	1600	Strong gas sales offsetting by weak dollar margin, more details for rural solar development	BUY	John Siah
06/04/2022	Truly's Int'l	732	Mixed outlook for FY22E	BUY	John Siah
06/04/2022	HK Tech Venture	1137	Compelling growth story despite weak near-term profit	BUY	John Siah
29/03/2022	361 Degrees	1361	FY21 earnings beat on strong GPM	BUY	John Siah
29/03/2022	AAC Tech	2018	Earnings challenges remain in FY22E	HOLD	John Siah
29/03/2022	Greentown Mgmt	9979	Aligning with new trends in China property market	BUY	John Siah
02/03/2022	Xinyi Energy	3868	Ambitious expansion plan for FY22E	BUY	John Siah
25/02/2022	Tsaker Chem	1986	Battery business started to bear fruit	NR	John Siah
27/01/2022	Greentown Mgmt	9979	Resilient against headwinds	BUY	John Siah
21/01/2022	361 Degrees	1361	4Q21 retail sales beat expectation	BUY	John Siah
14/12/2021	Tian Lun Gas	1600	Embracing green energy, ambitious target for gas sales	BUY	John Siah
06/12/2021	New Higher Edu	2001	Aim for quality growth	BUY	John Siah
29/11/2021	China Edu Group	839	FY21 results in-line, expecting more M&A	BUY	John Siah
18/11/2021	Edvantage Group	382	FY21 results slightly beat our expectation	BUY	John Siah
26/10/2021	Truly Int'l	732	More added value of automotive display as a new earnings catalyst	BUY	John Siah
19/10/2021	China Edu Sector	-	Encourage private participation in vocational education	-	John Siah
11/10/2021	AAC Tech	2018	Sluggish 3Q21 earnings on weak smartphone market	BUY	John Siah
03/09/2021	HK Tech Venture	1137	Striving to become a global technology enabler	BUY	John Siah
31/08/2021	Tian Lun Gas	1600	Mixed 21H1 results, expecting margins to improve in 21H2E	BUY	John Siah
27/08/2021	AAC Tech	2018	Optics segment stood strong against headwinds in 21Q2	BUY	John Siah
25/08/2021	361 Degrees	1361	Strong earnings expected to continue in 21H2E	BUY	John Siah
09/08/2021	Edvantage Group	382	Promising growth to continue in FY22E	BUY	John Siah
09/08/2021	China Edu Group	839	Another landmark M&A	BUY	John Siah
09/08/2021	New Higher Edu	2001	SY21/22 growth on track	BUY	John Siah



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