

2018 年 3 月 27 日

买入  
维持

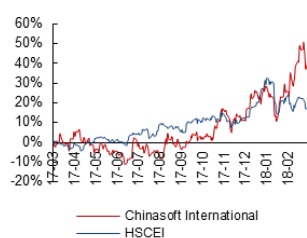
## 业务升级

中软国际 (354:HK)

### Market Data: 26 Mar

|                           |           |
|---------------------------|-----------|
| Closing Price (HK\$)      | 6.23      |
| Price Target (HK\$)       | 7.62      |
| HSCEI                     | 10564     |
| HSCCI                     | 3133      |
| 52-week High/Low (HK\$)   | 6.93/3.90 |
| Market Cap (HK\$ bn)      | 14.97     |
| Market Cap (US\$ bn)      | 1.9       |
| Shares Outstanding (Mn)   | 2402      |
| Exchange Rate (US\$-HK\$) | 7.76      |

### Price Performance Chart:



Source: Bloomberg

### Analyst

Mae Huang

A0230517010002

BGT702

[huangqian@swsresearch.com](mailto:huangqian@swsresearch.com)

### "New business benefits"

Chinasoft International(354:HK)

Published 27 November 2017

### "Service economies"

Chinasoft International(354:HK)

Published 1 September 2017

The company does not hold any equities or derivatives of the listed company mentioned in this report ("target"), but then we shall provide financial advisory services subject to the relevant laws and regulations. Any affiliates of the company may hold equities of the target, which may exceed 1 percent of issued shares subject to the relevant laws and regulations. The company may also provide investment banking services to the target. The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact [compliance@swsresearch.com](mailto:compliance@swsresearch.com) for relevant disclosure materials or log into [www.swsresearch.com](http://www.swsresearch.com) under disclosure column for further information. The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

### Financial summary and valuation

|                    | 2016  | 2017  | 2018E  | 2019E  | 2020E  |
|--------------------|-------|-------|--------|--------|--------|
| Revenue (Rmbm)     | 6,783 | 9,244 | 11,589 | 14,048 | 16,767 |
| YoY (%)            | 32.3  | 36.3  | 25.4   | 21.2   | 19.4   |
| Net income (Rmbm)  | 442   | 566   | 774    | 1,056  | 1,345  |
| YoY (%)            | 57.9  | 27.9  | 36.9   | 36.4   | 27.4   |
| EPS (Rmb)          | 0.20  | 0.24  | 0.30   | 0.39   | 0.48   |
| Diluted EPS (Rmb)  | 0.20  | 0.23  | 0.27   | 0.36   | 0.46   |
| ROE (%)            | 10.48 | 11.74 | 13.82  | 16.28  | 17.61  |
| Debt/asset (%)     | 40    | 40    | 44     | 43     | 41     |
| Dividend yield (%) | 0.0   | 0.2   | 0.2    | 0.3    | 0.3    |
| PE (x)             | 27.3  | 23.6  | 18.7   | 14.2   | 11.6   |
| PB (x)             | 2.8   | 2.6   | 2.4    | 2.2    | 1.9    |
| EV/Ebitda (x)      | 17.0  | 15.0  | 11.3   | 8.7    | 6.9    |

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

中软国际公布收入为人民币 92 亿元 ( 同比增长 36% ) , 比我们预期高出 2% , 净利润为人民币 5.66 亿元 ( 同比增长 28% ) , 符合我们的预期。随着 2017 年人均收入贡献同比增长 27% , 研发费用占收入比达 6.1% ( 2016 年为 5.1% ) , 中软国际正从其劳动密集型向更加科技化的商业模式转变。在市场对 AI、大数据和云业务的巨大需求的逐渐释放的过程中, 中软国际有望成为中国最大的中高端 IT 咨询服务领先企业。我们维持 2018 年摊薄每股收益预测为 0.27 元人民币 ( 同比增长 18% ) , 将 2019 年每股收益从 0.34 元提高至 0.36 元人民币 ( 同比增长 31% ) , 并预测 2020 年为 0.46 元人民币 ( 同比增长 27% ) 。根据 25 倍 18 年摊薄后市盈率, 我们将目标价从 6.70 港币上调至 7.62 港币。股价仍有 22% 上升空间, 我们维持买入评级。

**人均贡献提升。**之前我们预测 2020 年平均每位员工的收入贡献复合增长率为 12% , 而 2017 年的结果已经高于预期。公司 2017 年仅增加了 3635 名员工, 平均每名员工的成本同比增长 9% , 而人均收入贡献却同比增长了 27% 。鉴于公司云业务、大数据和人工智能相关外包服务等技术驱动型业务的推动, TPG 业务收入增长 27% 。中软国际正从劳动密集型转向更加技术化服务转变。

**增加研发, 夯实壁垒。**传统上, 与 Infosys 等国际外包公司相比, 中国外包公司的技术实力较低。然而, 受益于中国互联网巨头在全球的崛起, 中软国际在与中国巨头合作中不断提升自己的技术服务能力, 积累了如 AI、云服务和大数据等一流的技术经验。我们同时看到近年来公司加大对研发费用的投入, 2015 年占收入比 1.5% , 2016 年为 5.1% , 2017 年为 6.1% 。公司正通过加大研发投入和一流的技术经验来提升其高端科技服务能力, 可帮助其逐渐在全球同业中取得领先地位。

**新业务需求旺盛。**据 IDC 统计, 2017 年中国云市场同比增长 58% , 根据政府数据, 2017 年人工智能行业增长 51.2% , 大数据行业增长 47.3% 。所有这些行业都需要大量的 IT 服务, 而相比同业, 中软鉴于和一些科技巨头的良好合作关系, 拥有更加成熟的新业务技术服务经验。我们预测其新业务服务收入将在 2018 年翻一番, 并在未来持续保持高速增长。

**维持买入评级。**我们维持 2018 年摊薄每股收益预测为 0.27 元人民币 ( 同比增长 18% ) , 将 2019 年每股收益从 0.34 元提高至 0.36 元 ( 同比增长 31% ) , 并预测 2020 年为 0.46 元人民币 ( 同比增长 27% ) 。根据 25 倍 18 年摊薄后 PE, 我们将目标价从 6.70 港币上调至 7.62 港币, 相当于 3.0 倍 18 年 PB、19 倍 19 年 PE 或 2.6 倍 19 年 PB。股价仍有 22% 上升空间, 我们维持买入评级。

Chinasoft reported revenue of Rmb9.2bn (+36% YoY), 2% above our forecast, and net profit of Rmb566m (+28% YoY), in line with our forecast. We note Chinasoft is on track with its transition from a labour-intensive to a more automated model; the firm booked a 27% YoY increase in revenue per employee and R&D expense of 6.1% of revenue (2016: 5.1%). We believe Chinasoft has the best opportunity to become the largest mid-range to high-end IT consulting services leader in China on the back of large demand for artificial intelligence (AI), cloud and big data business in future. We maintain our full-year diluted EPS forecast at Rmb0.27 in 18E (+18% YoY), raise our forecast from Rmb0.34 to Rmb0.36 in 19E (+31% YoY), and forecast Rmb0.46 in 20E (+27% YoY). We raise our target price from HK\$6.70 to HK\$7.62 (25x 18E PE). Maintain BUY rating.

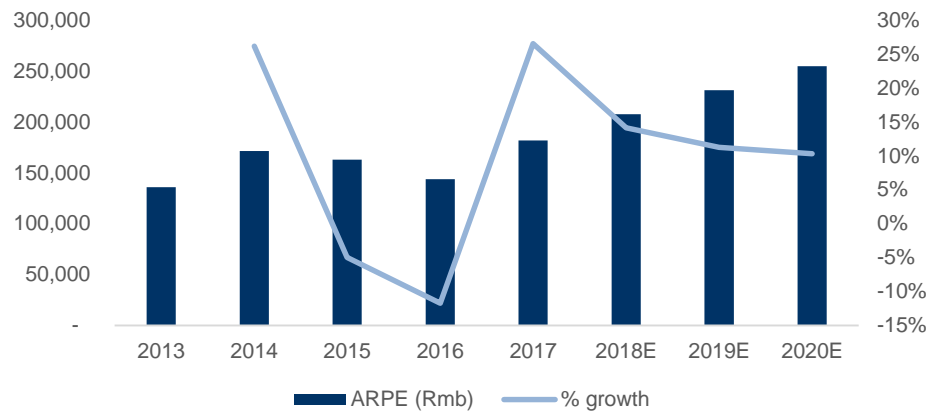
**Labour efficiency improve.** We forecast 12% average revenue per employee cagr to 2020E last time, while the 2017 result turned out much better than what we projected. Company only added 3635 employee in 2017 with 9% YoY growth of average cost of sales per employee but 27% YoY growth of revenue per employee. TPG business revenue increased by 27% mainly driven by new business like cloud, big data and AI related outsourcing services that derived from more technology-incentive business. We underscores the firm's transformation from a labour-intensive to more automated mode and see its track inline.

**R&D to enhance its consulting barriers.** Traditionally, Chinese outsourcing companies has large technology gap compared to international outsourcing companies like Infosys due to lower outsourcing capability. However, with the rise on Chinese internet giants in global presence, Chinasoft is enhancing its technology service capability and narrowing the gap by serving and growing with Chinese giants, and accumulated first-hand and top-tier tech experiences along the way. We see the company invested more and more into R&D expense these years, with 1.5% over revenue in 2015, 5.1% in 2016 and 6.1% in 2017. We believe company is enhancing its high-tech service capability through those investment and past experiences, and will become more and more outstanding among its peers, or even globally.

**High demand on new business.** Cloud business is growing at 58% in China in 2017 according to IDC, AI industry grew at 51.2% and big data grew at 47.3% in 2017 according to government data. All these industries demands large amount of IT services, and not many has mature experience as Chinasoft given its good relationship with some of the tech giants. We believe its new business services could achieve doubling revenue in 18E and maintain high growth in future.

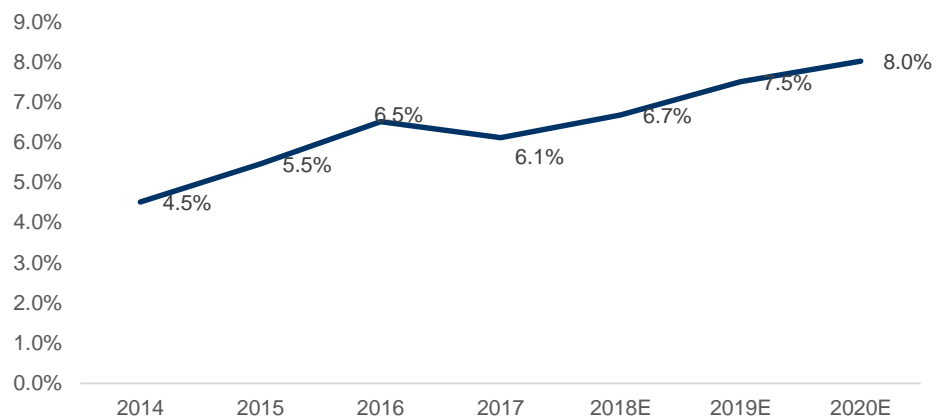
**Maintain BUY.** We maintain our full-year diluted EPS forecast at Rmb0.27 in 18E (+18% YoY), raise our forecast from Rmb0.34 to Rmb0.36 in 19E (+31% YoY), and forecast Rmb0.46 in 20E (+27% YoY). We raise our target price from HK\$6.70 to HK\$7.62, based on 25x 18E PE, representing 3.0x 18E PB, 19x 19E PE or 2.6x 19E PB. With 22.3% upside, we maintain our BUY rating.

**Fig 1: 27% YoY ARPE in 2017 and 12% cagr to 2020E**



Source: Company, SWS Research

**Fig 2: Net margin forecast**



Source: Company, SWS Research

## Appendix

### Consolidated Income Statement

| Rmbm                    | 2016   | 2017   | 2018E  | 2019E  | 2020E   |
|-------------------------|--------|--------|--------|--------|---------|
| Revenue                 | 6,783  | 9,244  | 11,589 | 14,048 | 16,767  |
| Cost of Sales           | -4,768 | -6,493 | -8,125 | -9,820 | -11,728 |
| Gross Profit            | 2,016  | 2,750  | 3,464  | 4,228  | 5,039   |
| Other Income            | 44     | 96     | 116    | 140    | 168     |
| Distribution expenses   | -219   | -370   | -464   | -562   | -671    |
| Administrative expenses | -807   | -1,086 | -1,275 | -1,475 | -1,677  |
| EBITDA                  | 747    | 853    | 1,150  | 1,484  | 1,830   |
| EBIT                    | 603    | 716    | 1,019  | 1,348  | 1,686   |
| Finance Costs           | -96    | -103   | -130   | -130   | -130    |
| Profit before tax       | 525    | 633    | 911    | 1,242  | 1,582   |
| Income tax expense      | -115   | -71    | -137   | -186   | -237    |
| Minority interests      | -32    | -4     | 0      | 0      | 0       |
| Profit attributable     | 442    | 566    | 774    | 1,056  | 1,345   |

Source: SWS Research

### Consolidated Cash Flow Statement

| Rmbm                               | 2016 | 2017  | 2018E | 2019E | 2020E |
|------------------------------------|------|-------|-------|-------|-------|
| Profit before taxation             | 525  | 633   | 911   | 1,242 | 1,582 |
| Plus: Depr. and amortisation       | 144  | 137   | 131   | 136   | 145   |
| Finance cost                       | 96   | 103   | 130   | 130   | 130   |
| Losses from investments            | -20  | 0     | 0     | 0     | 0     |
| Change in working capital          | -418 | -713  | -503  | -727  | -804  |
| Others                             | -35  | -71   | -137  | -186  | -237  |
| CF from operating activities       | 292  | 88    | 532   | 595   | 815   |
| CAPEX                              | -304 | -338  | -338  | -338  | -338  |
| Other CF from investing activities | 53   | 0     | 0     | 0     | 0     |
| CF from investing activities       | -251 | -338  | -338  | -338  | -338  |
| Equity financing                   | 202  | 557   | 0     | 0     | 0     |
| Net change in liabilities          | -444 | 0     | 0     | 0     | 0     |
| Dividend and interest paid         | -88  | -103  | -158  | -168  | -182  |
| Other CF from financing activities | 315  | 800   | 0     | 0     | 0     |
| CF from financing activities       | -14  | 1,255 | -158  | -168  | -182  |
| Net cash flow                      | 27   | 1,005 | 35    | 88    | 294   |

Source: SWS Research

### Consolidated Balance Sheet

| Rmbm                                | 2016         | 2017         | 2018E         | 2019E         | 2020E         |
|-------------------------------------|--------------|--------------|---------------|---------------|---------------|
| Current Assets                      | 4,927        | 7,425        | 8,836         | 10,464        | 10,464        |
| Bank balances and cash              | 1,299        | 2,207        | 2,498         | 2,858         | 2,858         |
| Trade and other receivables         | 3,546        | 5,110        | 6,226         | 7,489         | 7,489         |
| Inventories                         | 21           | 47           | 51            | 56            | 56            |
| Other current assets                | 61           | 61           | 61            | 61            | 61            |
| Long-term investment                | 30           | 30           | 30            | 30            | 30            |
| PP&E                                | 820          | 1,093        | 1,349         | 1,585         | 1,585         |
| Intangible and other assets         | 1,452        | 1,380        | 1,331         | 1,297         | 1,297         |
| <b>Total Assets</b>                 | <b>7,229</b> | <b>9,929</b> | <b>11,546</b> | <b>13,376</b> | <b>13,376</b> |
| Current Liabilities                 | 2,439        | 3,581        | 4,047         | 4,727         | 4,727         |
| Borrowings                          | 922          | 1,536        | 1,595         | 1,838         | 1,838         |
| Trade and other payables            | 1,327        | 1,855        | 2,262         | 2,699         | 2,699         |
| Other current liabilities           | 190          | 190          | 190           | 190           | 190           |
| Long-term liabilities               | 458          | 922          | 1,327         | 1,489         | 1,489         |
| <b>Total Liabilities</b>            | <b>2,897</b> | <b>4,503</b> | <b>5,374</b>  | <b>6,215</b>  | <b>6,215</b>  |
| Minority Interests                  | 68           | 68           | 68            | 68            | 68            |
| Shareholder Equity                  | 4,264        | 5,357        | 6,104         | 7,092         | 7,092         |
| Share Capital                       | 106          | 115          | 115           | 115           | 115           |
| Reserves                            | 1,505        | 2,041        | 2,787         | 3,776         | 3,776         |
| Equity attributable                 | 4,264        | 5,357        | 6,104         | 7,092         | 7,092         |
| <b>Total Liabilities and equity</b> | <b>7,229</b> | <b>9,929</b> | <b>11,546</b> | <b>13,376</b> | <b>13,376</b> |

Source: SWS Research

### Key Financial Ratios

|                                 | 2016  | 2017  | 2018E | 2019E | 2020E |
|---------------------------------|-------|-------|-------|-------|-------|
| <b>Ratios per share (Rmb)</b>   |       |       |       |       |       |
| Earnings per share              | 0.20  | 0.24  | 0.30  | 0.39  | 0.48  |
| Diluted earnings per share      | 0.20  | 0.23  | 0.27  | 0.36  | 0.46  |
| Operating CF per share          | 0.13  | 0.04  | 0.20  | 0.22  | 0.29  |
| Dividend per share              | 0.00  | 0.01  | 0.01  | 0.02  | 0.02  |
| Net assets per share            | 1.96  | 2.16  | 2.27  | 2.57  | 2.94  |
| <b>Key Operating Ratios (%)</b> |       |       |       |       |       |
| ROIC                            | 8.97  | 11.18 | 13.22 | 14.90 | 16.20 |
| ROE                             | 10.48 | 11.74 | 13.82 | 16.28 | 17.61 |
| Gross profit margin             | 29.72 | 29.76 | 29.89 | 30.09 | 30.05 |
| Ebitda margin                   | 11.01 | 9.22  | 9.92  | 10.57 | 10.92 |
| Ebit margin                     | 8.89  | 7.74  | 8.79  | 9.59  | 10.05 |
| Growth rate of Revenue(YoY)     | 32.25 | 36.27 | 25.37 | 21.21 | 19.36 |
| Growth rate of Profit(YoY)      | 57.85 | 27.93 | 36.89 | 36.37 | 27.40 |
| Debt-to-asset ratio             | 40.07 | 40.24 | 44.16 | 42.70 | 41.01 |
| Turnover rate of net assets     | 1.57  | 1.77  | 1.94  | 2.01  | 2.02  |
| Turnover rate of total assets   | 0.94  | 1.06  | 1.08  | 1.15  | 1.19  |
| Effective tax rate (%)          | 21.88 | 11.29 | 15.00 | 15.00 | 15.00 |
| Dividend yield (%)              | 0.00  | 0.17  | 0.21  | 0.28  | 0.34  |
| <b>Valuation Ratios (x)</b>     |       |       |       |       |       |
| P/E                             | 27.35 | 23.58 | 18.68 | 14.23 | 11.58 |
| P/B                             | 2.83  | 2.58  | 2.45  | 2.17  | 1.89  |
| EV/Sale                         | 1.87  | 1.39  | 1.12  | 0.92  | 0.75  |
| EV/Ebitda                       | 16.98 | 15.02 | 11.30 | 8.69  | 6.89  |

Source: SWS Research

## Information Disclosure:

The views expressed in this report accurately reflect the personal views of the analyst. The analyst declares that neither he/she nor his/her associate serves as an officer of nor has any financial interests in relation to the listed corporation reviewed by the analyst. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this report to any of the analyst, the Company or the group company(ies). A group company(ies) of the Company confirm that they, whether individually or as a group (i) are not involved in any market making activities for any of the listed corporation reviewed; or (ii) do not have any individual employed by or associated with any group company(ies) of the Company serving as an officer of any of the listed corporation reviewed; or (iii) do not have any financial interest in relation to the listed corporation reviewed or (iv) do not, presently or within the last 12 months, have any investment banking relationship with the listed corporation reviewed.

### Undertakings of the Analyst

I (We) am (are) conferred the Professional Quality of Securities Investment Consulting Industry by the Securities Association of China and have registered as the Securities Analyst. I hereby issue this report independently and objectively with due diligence, professional and prudent research methods and only legitimate information is used in this report. I am also responsible for the content and opinions of this report. I have never been, am not, and will not be compensated directly or indirectly in any form for the specific recommendations or opinions herein.

### Disclosure with respect to the Company

The company is a subsidiary of Shenwan Hongyuan Securities. The company is a qualified securities investment consulting institute approved by China Securities Regulatory Commission with the code number ZX0065.

Releasing securities research reports is the basic form of the securities investment consulting services. The company may analyze the values or market trends of securities and related products or other relevant affecting factors, provide investment analysis advice on securities valuation/ investment rating, etc. by issuing securities research reports solely to its clients.

The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact [compliance@swsresearch.com](mailto:compliance@swsresearch.com) for the relevant disclosure materials or log into [www.swsresearch.com](http://www.swsresearch.com) for the analysts' qualifications, the arrangement of the quiet period and the affiliates' shareholdings.

### Introduction of Share Investment Rating

#### Security Investment Rating:

When measuring the difference between the markup of the security and that of the market's benchmark within six months after the release of this report, we define the terms as follows:

Trading BUY: Share price performance is expected to generate more than 20% upside over a 6-month period.

BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

#### Industry Investment Rating:

When measuring the difference between the markup of the industry index and that of the market's benchmark within six months after the release of the report, we define the terms as follows:

Overweight: Industry performs better than that of the whole market;

Equal weight: Industry performs about the same as that of the whole market;

Underweight: Industry performs worse than that of the whole market.

We would like to remind you that different security research institutions adopt different rating terminologies and rating standards. We adopt the relative rating method to recommend the relative weightings of investment. The clients' decisions to buy or sell securities shall be based on their actual situation, such as their portfolio structures and other necessary factors. The clients shall read through the whole report so as to obtain the complete opinions and information and shall not rely solely on the investment ratings to reach a conclusion. The Company employs its own industry classification system. The industry classification is available at our sales personnel if you are interested.

HSCEI is the benchmark employed in this report.

**Disclaimer:**

This report is to be used solely by the clients of SWS Research Co., Ltd. (subsidiary of Shenwan Hongyuan Securities, hereinafter referred to as the "Company"). The Company will not deem any other person as its client notwithstanding his receipt of this report.

This report is based on public information, however, the authenticity, accuracy or completeness of such information is not warranted by the Company. The materials, tools, opinions and speculations contained herein are for the clients' reference only, and are not to be regarded or deemed as an invitation for the sale or purchase of any security or other investment instruments.

The clients understand that the text message reminder and telephone recommendation are no more than a brief communication of the research opinions, which are subject to the complete report released on the Company's website (<http://www.swsresearch.com>). The clients may ask for follow-up explanations if they so wish.

The materials, opinions and estimates contained herein only reflect the judgment of the Company on the day this report is released. The prices, values and investment returns of the securities or investment instruments referred to herein may fluctuate. At different periods, the Company may release reports which are inconsistent with the materials, opinions and estimates contained herein.

Save and except as otherwise stipulated in this report, the contactor upon the first page of the report only acts as the liaison who shall not provide any consulting services.

The clients shall consider the Company's possible conflict of interests which may affect the objectivity of this report, and shall not base their investment decisions solely on this report. The clients should make investment decisions independently and solely at your own risk. Please be reminded that in any event, the company will not share gains or losses of any securities investment with the clients. Whether written or oral, any commitment to share gains or losses of securities investment is invalid. The investment and services referred to herein may not be suitable for certain clients and shall not constitute personal advice for individual clients. The Company does not ensure that this report fully takes into consideration of the particular investment objectives, financial situations or needs of individual clients. The Company strongly suggests the clients to consider themselves whether the opinions or suggestions herein are suitable for the clients' particular situations; and to consult an independent investment consultant if necessary.

Under no circumstances shall the information contained herein or the opinions expressed herein forms an investment recommendation to anyone. Under no circumstances shall the Company be held responsible for any loss caused by the use of any contents herein by anyone. Please be particularly cautious to the risks and exposures of the market via investment.

Independent investment consultant should be consulted before any investment decision is rendered based on this report or at any request of explanation for this report where the receiver of this report is not a client of the Company.

The Company possesses all copyrights of this report which shall be treated as non-public information. The Company reserves all rights related to this report. Unless otherwise indicated in writing, all the copyrights of all the materials herein belong to the Company. In the absence of any prior authorization by the Company in writing, no part of this report shall be copied, photocopied, replicated or redistributed to any other person in any form by any means, or be used in any other ways which will infringe upon the copyrights of the Company. All the trademarks, service marks and marks used herein are trademarks, service marks or marks of the Company, and no one shall have the right to use them at any circumstances without the prior consent of the Company.

This report may be translated into different languages. The Company does not warrant that the translations are free from errors or discrepancies.

This report is for distribution in Hong Kong only to persons who fall within the definition of professional investors whether under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") or the Securities and Futures (Professional Investor) Rules (Chapter 571D of the laws of the Hong Kong under the SFO).

This report is for distribution in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) order 2001 (as amended) (the "Order") or (ii) are persons falling within Article 49(2)(a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc") of the Order (All such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons. Other Persons who are not Relevant Persons must not act or rely upon this document or any of its contents.

**Distribution in Singapore**

If distributed in Singapore, this report is meant only for Accredited Investors and Institutional Investors as defined under Section 4A of the Securities and Futures Act of Singapore. If you are not an Accredited Investor or an Institutional Investor, you shall ignore the report and its contents. The Singapore recipients of the report are to contact the Singapore office of Shenwan Hongyuan Singapore Private Limited. at 65-6323-5208, or 65-6323-5209 in respect of any matters arising from, or in connection with, the report.