2025 **EXTEL ASIA** RESEARCH SURVEY

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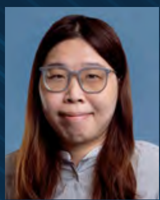
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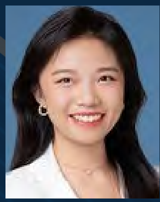

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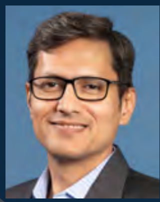

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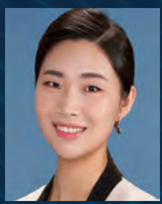

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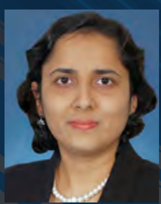

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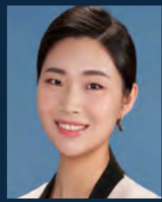
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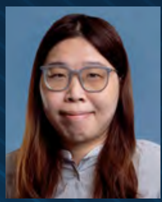
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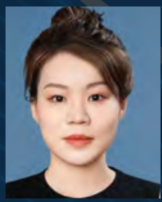
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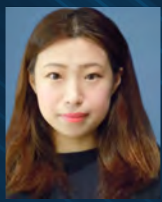
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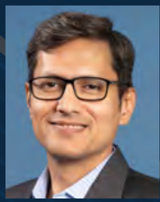
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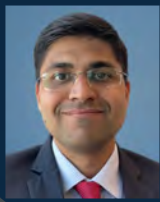
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Insurance	Shujin Chen / Sam Wong
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Consumer Staples	Anchalin (Nuch) Charoenpit / Nathavut (Nash) Shivaruchiwong / Attaphol (Art) Tisayukata
Chemicals	Wattana (Leng) Punyawattanakul
Equity Strategy	Tanawat (Fluke) Ruenbanterng
Gaming & Lodging	Attaphol (Art) Tisayukata
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Oil & Gas	Wattana (Leng) Punyawattanakul
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Pharma & Biotech	Pimchalalai (Fah) Washirakom
Small & Midcap	Anchalin (Nuch) Charoenpit / Sansanee (Lek) Srijamjuree / Sontanawoot (Chuang) Ratchatrakul
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KEY REPORT
Asia Maxima | Geopolitical Risk AscendantStories Ahead
7 October 2024

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Asia Maxima

Equity Research
October 7, 2024

Asia Maxima: Geopolitical Risk Ascendant

The near-term outlook for Wall Street correlated markets is dominated by the outcome of the forthcoming US presidential election and rising geopolitical tensions. The most important point as regards the election is that there is a decisive winner without a disputed outcome. Meanwhile, it is almost impossible for markets to discount geopolitical risk. But the reality is that tensions continue to escalate in both the Middle East and the Russian-Ukraine conflict.

The Federal Reserve has resumed easing. This is most positive for Asia and emerging market equities given the growing likelihood that the US dollar has peaked. Asian central banks should now be able to cut rates against a backdrop of appreciating currencies.

Treasury bonds rallied last quarter as they discounted slowing growth and renewed Fed easing. Still, this does not represent a revival of the risk parity trade in terms of a renewed negative correlation between government bonds and equities. Equities continue to be favoured over fixed income structurally in the G7 world.

The recent decision by the Fed to prioritise the labour market over inflation is a sign that inflation is likely to remain structurally higher in the post-Covid era. Meanwhile, with both presidential candidates ignoring the issue, it seems only a matter of time before the currency and bond markets react to the dramatic fiscal deterioration in the US, a deterioration compounded by Washington's growing resort to short-term funding.

A downturn in the US economy, as opposed to the currently assumed soft landing, would cause the already high fiscal deficit to soar because of the related collapse in tax revenues. Meanwhile, the need to cut debt servicing costs was probably one unacknowledged reason behind the Fed's decision to commence easing with a greater than expected 50bp rate cut.

China's policy response finally ceased to be incremental with a coordinated policy easing package at the end of last quarter. The trigger seems to have been concerns that the government would not meet its 5% real GDP growth target this year. But the real problem for

Asia Strategy
4Q/24

Includes:

- Asia Pacific ex-Japan relative-return asset allocation
- Asia ex-Japan thematic equity portfolio for long-only absolute-return investors
- Japan thematic equity portfolio for long-only absolute-return investors
- Japan dividend income portfolio
- China long-only equity portfolio
- India long-only equity portfolio
- Global long-only equity portfolio
- Global sovereign bond portfolio
- Recommended long-only asset allocation for US-dollar-based pension funds

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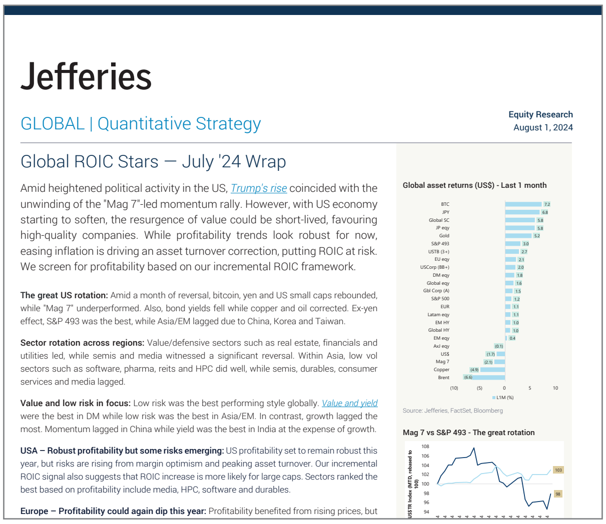
1 August 2024



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August 1, 2024

Global ROIC Stars — July '24 Wrap

Amid heightened political activity in the US, Trump's rise coincided with the unwinding of the "Mag 7"-led momentum rally. However, with US economy starting to soften, the resurgence of value could be short-lived, favouring high-quality companies. While profitability trends look robust for now, easing inflation is driving an asset turnover correction, putting ROIC at risk. We screen for profitability based on our incremental ROIC framework.

The great US rotation: Amid a month of reversal, bitcoin, yen and US small caps rebounded, while "Mag 7" underperformed. Also, bond yields fell while copper and oil corrected. Ex-yen effect, S&P 493 was the best, while Asia/EM lagged due to China, Korea and Taiwan.

Sector rotation across regions: Value/defensive sectors such as real estate, financials and utilities led, while semis and media witnessed a significant reversal. Within Asia, low vol sectors such as software, pharma, reits and HPC did well, while semis, durables, consumer services and media lagged.

Value and low risk in focus: Low risk was the best performing style globally. Value and yield were the best in DM while low risk was the best in Asia/EM. In contrast, growth lagged the most. Momentum lagged in China while yield was the best in India at the expense of growth.

USA – Robust profitability but some risks emerging: US profitability set to remain robust this year, but risks are rising from margin optimism and peaking asset turnover. Our incremental ROIC signal also suggests that ROIC increase is more likely for large caps. Sectors ranked the best based on profitability include media, HPC, software and durables.

Europe – Profitability could again dip this year: Profitability benefited from rising prices, but

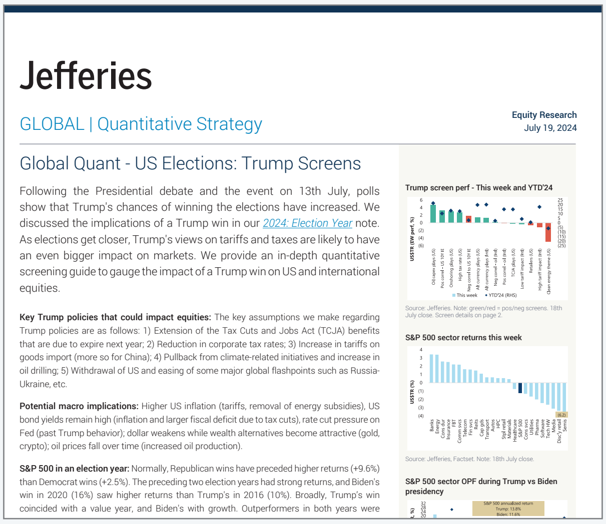
Global asset returns (US$) - Last 1 month

Mag 7 vs S&P 493 - The great rotation

Vote for **Mahesh Kedia**

- Hong Kong
- India
- Equity Strategy
- Quantitative Research
- Thematic Research

KEY REPORT
GLOBAL | Quantitative Strategy | Global Quant
US Elections: Trump Screens
19 July 2024



Jefferies

GLOBAL | Quantitative Strategy

Equity Research
July 19, 2024

Global Quant - US Elections: Trump Screens

Following the Presidential debate and the event on 13th July, polls show that Trump's chances of winning the elections have increased. We discussed the implications of a Trump win in our 2024: Election Year note. As elections get closer, Trump's views on tariffs and taxes are likely to have an even bigger impact on markets. We provide an in-depth quantitative screening guide to gauge the impact of a Trump win on US and international equities.

Key Trump policies that could impact equities: The key assumptions we make regarding Trump policies are as follows: 1) Extension of the Tax Cuts and Jobs Act (TCJA) benefits that are due to expire next year; 2) Reduction in corporate tax rates; 3) Increase in tariffs on goods import (more so for China); 4) Pullback from climate-related initiatives and increase in oil drilling; 5) Withdrawal of US and easing of some major global flashpoints such as Russia-Ukraine, etc.

Potential macro implications: Higher US inflation (tariffs, removal of energy subsidies), US bond yields remain high (inflation and larger fiscal deficit due to tax cuts), rate cut pressure on Fed (past Trump behavior); dollar weakens while wealth alternatives become attractive (gold, crypto); oil prices fall over time (increased oil production).

S&P 500 in an election year: Normally, Republican wins have preceded higher returns (+9.6%) than Democrat wins (+2.5%). The preceding two election years had strong returns, and Biden's win in 2020 (16%) saw higher returns than Trump's in 2016 (10%). Broadly, Trump's win coincided with a value year, and Biden's with growth. Outperformers in both years were

Trump screen perf - This week and YTD'24

S&P 500 sector returns this week

S&P 500 sector OPF during Trump vs Biden presidency

Vote for **Shrikant Kale**

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- Equity Strategy
- Quantitative Research
- Thematic Research

KEY REPORT

Japan Quantitative Strategy | The Yen Paradox: Navigating Japan's Currency Volatility

28 August 2024

Jefferies UNIVERSITY

Insights with Experts
August 28, 2024

Japan | Quantitative Strategy

The Yen Paradox: Navigating Japan's Currency Volatility

In our latest JEF U Expert series, we hosted Masaharu Takenaka, Professor of Economics, Ryukoku University, and Brad Bechtel, Global Head of FX, Jefferies, to discuss the yen cycle. Key takeaways: 1) Takenaka: ¥/$120-130 over the next 12-18 months; Brad: ¥/$145-150 range this year followed by gradual yen strength in 2025; 2) Carry-trade unwind: Macro HFs, CTAs, retail FX have unwound fully; pension fund/AMs still half-way through. Replay available on request.

Regime-shift in yen positioning? Foreign exchange market is largely over-the-counter and thus challenging to assess its overall positioning. But the small part of Forex market that is traded in futures, can be used as proxy for overall positioning. In futures markets, post Mar 2021, yen was net-short for consecutive 178 weeks. The biggest net-short position was observed during early June 2024, levels almost matching that of pre-GFC highs, which was also a reflection of the overall Forex market positioning. However, over the past two weeks, traders in the futures market have turned net-long, though extrapolating this shift across Forex market positioning is fraught with risk.

What is the extent of short-yen carry-trade unwind? While retail FX, short-/long-term macro funds and CTAs have fully unwound their short-yen carry-trade, the longer-term players like pension funds, real money asset mangers are still half-way through and will only participate further if the real rate gap between US and Japan continues to narrow. To analyze the overall extent of yen-denominated cross-border borrowing (proxy for yen carry-trade), refer to our

EXPERT STUDIES

GUEST SPEAKER

Masaharu Takenaka
Professor of Economics, Ryukoku University

Brad Bechtel
Global Head of Foreign Exchange, Jefferies

HOSTED BY

Shrikant Kale
Senior Quantitative Strategist

Yen Puzzle: Carry-trade & Earnings Impact

Vote for **Shujin Chen**

- Hong Kong
- Equity Strategy
- Banks & Non-bank Finance
- Economics
- Insurance
- Thematic Research

KEY REPORT

ASIA-PACIFIC excl. Japan | China Economics | China Macro Chat: Is This Time Different? Property, Economy and Market

3 June 2024

Jefferies

Franchise Report

ASIA-PACIFIC excl. Japan | China Economics

Equity Research
June 3, 2024

China Macro Chat: Is This Time Different? Property, Economy and Market

This report provides an in-depth analysis of recent property policy changes and their impact on the economy. Zhengzhou is highlighted as a case study for govt property purchases to analyze the path, challenges and limitations. Only >RMB2tn purchases are effective. We expect >30% property price drop before stabilizing in major cities. We expect range-bound share market in near term; consumption downgrade/value-for-money & overseas expansion are long-term trends.

China announced "historic" steps on 17 May to stabilize property sector, including: 1) abolishing the mortgage rate floor for first and second homes at national level, 2) reducing the minimum downpayment ratio to 15% and 25% for first and second homebuyers respectively, and 3) expanding PBOC re-lending tool to RMB300bn from RMB100bn to support local govts' purchase of finished unsold properties, for conversion to affordable rental housing.

Investors were divided over the impact of these policies. On the one hand, none of the policies are new, just upgrades of previous measures. In the past week, all tier-1 cities except Beijing announced lower mortgage floor and minimum downpayment ratio, but market feedback was largely muted, as transactions and site visits did not improve much. On the other hand, some investors see it as the end of loosening and the start of stimulus, and govt purchase as the right way to do this. This step indicates that President Xi is turning more supportive of the housing market, and China will accelerate stimulus to turn around the property market.

Leverage likely down amid property price decline despite regulatory easing. We observed

Vote for **Mahesh Nahdurkar**

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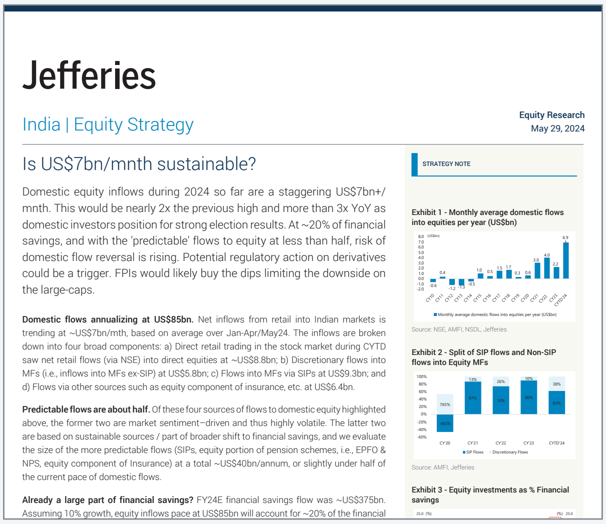
- Thematic Research

KEY REPORT

India | Equity Strategy | Is US$7bn/mnth sustainable?

29 May 2024



Jefferies

India | Equity Strategy

Equity Research
May 29, 2024

Is US$7bn/mnth sustainable?

Domestic equity inflows during 2024 so far are a staggering US$7bn+/mnth. This would be nearly 2x the previous high and more than 3x YoY as domestic investors position for strong election results. At ~20% of financial savings, and with the 'predictable' flows to equity at less than half, risk of domestic flow reversal is rising. Potential regulatory action on derivatives could be a trigger. FPIs would likely buy the dips limiting the downside on the large-caps.

Domestic flows annualizing at US$85bn. Net inflows from retail into Indian markets is trending at ~US$7bn/mth, based on average over Jan-Apr/May24. The inflows are broken down into four broad components: a) Direct retail trading in the stock market during CYTD saw net retail flows (via NSE) into direct equities at ~US$8.8bn; b) Discretionary flows into MFs (i.e., inflows into MFs ex-SIP) at US$5.8bn; c) Flows into MFs via SIPs at US$9.3bn; and d) Flows via other sources such as equity component of insurance, etc. at US$6.4bn.

Predictable flows are about half. Of these four sources of flows to domestic equity highlighted above, the former two are market sentiment–driven and thus highly volatile. The latter two are based on sustainable sources / part of broader shift to financial savings, and we evaluate the size of the more predictable flows (SIPs, equity portion of pension schemes, i.e., EPFO & NPS, equity component of Insurance) at a total ~US$40bn/annum, or slightly under half of the current pace of domestic flows.

Already a large part of financial savings? FY24E financial savings flow was ~US$375bn. Assuming 10% growth, equity inflows pace at US$85bn will account for ~20% of the financial

STRATEGY NOTE

Exhibit 1 - Monthly average domestic flows into equities per year (US$bn)

Source: NSE, AMFI, NSDL, Jefferies

Exhibit 2 - Split of SIP flows and Non-SIP flows into Equity MFs

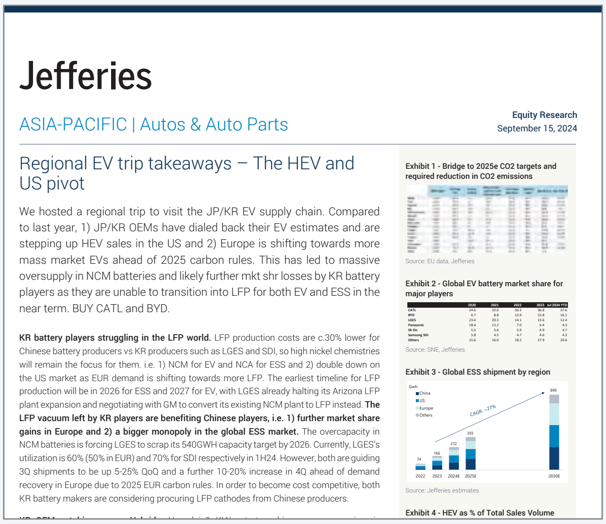
Source: AMFI, Jefferies

Exhibit 3 - Equity investments as % Financial savings

Vote for **Johnson Wan**

- Hong Kong
- Autos & Auto Parts
- Industrials
- Utilities & Alternative Energy

KEY REPORT
ASIA-PACIFIC | Autos & Auto Parts | Regional EV trip takeaways
The HEV and US pivot
15 September 2024



Jefferies

ASIA-PACIFIC | Autos & Auto Parts

Equity Research
September 15, 2024

Regional EV trip takeaways – The HEV and US pivot

We hosted a regional trip to visit the JP/KR EV supply chain. Compared to last year, 1) JP/KR OEMs have dialed back their EV estimates and are stepping up HEV sales in the US and 2) Europe is shifting towards more mass market EVs ahead of 2025 carbon rules. This has led to massive oversupply in NCM batteries and likely further mkt shr losses by KR battery players as they are unable to transition into LFP for both EV and ESS in the near term. BUY CATL and BYD.

KR battery players struggling in the LFP world. LFP production costs are c.30% lower for Chinese battery producers vs KR producers such as LGES and SDI, so high nickel chemistries will remain the focus for them. i.e. 1) NCM for EV and NCA for ESS and 2) double down on the US market as EUR demand is shifting towards more LFP. The earliest timeline for LFP production will be in 2026 for ESS and 2027 for EV, with LGES already halting its Arizona LFP plant expansion and negotiating with GM to convert its existing NCM plant to LFP instead. **The LFP vacuum left by KR players are benefiting Chinese players, i.e. 1) further market share gains in Europe and 2) a bigger monopoly in the global ESS market.** The overcapacity in NCM batteries is forcing LGES to scrap its 540GWH capacity target by 2026. Currently, LGES's utilization is 60% (50% in EUR) and 70% for SDI respectively in 1H24. However, both are guiding 3Q shipments to be up 5-25% QoQ and a further 10-20% increase in 4Q ahead of demand recovery in Europe due to 2025 EUR carbon rules. In order to become cost competitive, both KR battery makers are considering procuring LFP cathodes from Chinese producers.

Exhibit 1 - Bridge to 2025e CO2 targets and required reduction in CO2 emissions

Source: EU data, Jefferies

Exhibit 2 - Global EV battery market share for major players

Source: SNE, Jefferies

Exhibit 3 - Global ESS shipment by region

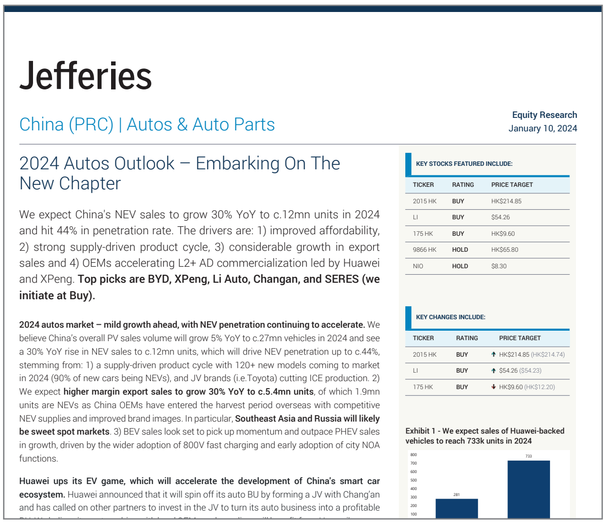
Source: Jefferies estimates

Exhibit 4 - HEV as % of Total Sales Volume

Vote for **Xiaoyi Lei**

- Hong Kong
- Autos & Auto Parts
- Industrials

KEY REPORT
China (PRC) | Autos & Auto Parts | 2024 Autos Outlook
Embarking On The New Chapter
10 January 2024



Jefferies

China (PRC) | Autos & Auto Parts

Equity Research
January 10, 2024

2024 Autos Outlook – Embarking On The New Chapter

We expect China's NEV sales to grow 30% YoY to c.12mn units in 2024 and hit 44% in penetration rate. The drivers are: 1) improved affordability, 2) strong supply-driven product cycle, 3) considerable growth in export sales and 4) OEMs accelerating L2+ AD commercialization led by Huawei and XPeng. **Top picks are BYD, XPeng, Li Auto, Changan, and SERES (we initiate at Buy).**

2024 autos market – mild growth ahead, with NEV penetration continuing to accelerate. We believe China's overall PV sales volume will grow 5% YoY to c.27mn vehicles in 2024 and see a 30% YoY rise in NEV sales to c.12mn units, which will drive NEV penetration up to c.44%, stemming from: 1) a supply-driven product cycle with 120+ new models coming to market in 2024 (90% of new cars being NEVs), and JV brands (i.e.Toyota) cutting ICE production. 2) We expect **higher margin export sales to grow 30% YoY to c.5.4mn units**, of which 1.9mn units are NEVs as China OEMs have entered the harvest period overseas with competitive NEV supplies and improved brand images. In particular, **Southeast Asia and Russia will likely be sweet spot markets**. 3) BEV sales look set to pick up momentum and outpace PHEV sales in growth, driven by the wider adoption of 800V fast charging and early adoption of city NOA functions.

Huawei ups its EV game, which will accelerate the development of China's smart car ecosystem. Huawei announced that it will spin off its auto BU by forming a JV with Chang'an and has called on other partners to invest in the JV to turn its auto business into a profitable

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
2015 HK	BUY	HK$214.85
LI	BUY	$54.26
175 HK	BUY	HK$9.60
9866 HK	HOLD	HK$65.80
NIO	HOLD	$8.30

KEY CHANGES INCLUDE:

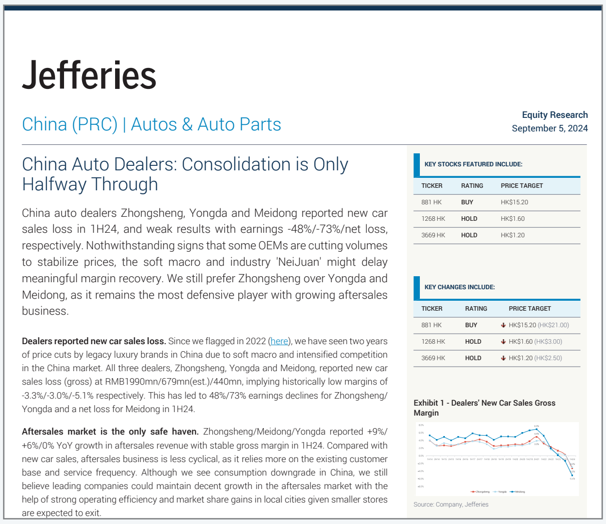
TICKER	RATING	PRICE TARGET
2015 HK	BUY	HK$214.85 (HK$214.74)
LI	BUY	$54.26 ($54.25)
175 HK	BUY	HK$9.60 (HK$12.20)

Exhibit 1 - We expect sales of Huawei-backed vehicles to reach 733k units in 2024

Vote for **Aaron Wang**

- Hong Kong
- Autos & Auto Parts
- Industrials
- Utilities & Alternative Energy

KEY REPORT
China (PRC) | Autos & Auto Parts
China Auto Dealers: Consolidation is Only Halfway Through
5 September 2024



Jefferies

China (PRC) | Autos & Auto Parts

Equity Research
September 5, 2024

China Auto Dealers: Consolidation is Only Halfway Through

China auto dealers Zhongsheng, Yongda and Meidong reported new car sales loss in 1H24, and weak results with earnings -48%/-73%/net loss, respectively. Nothwithstanding signs that some OEMs are cutting volumes to stabilize prices, the soft macro and industry 'NeiJuan' might delay meaningful margin recovery. We still prefer Zhongsheng over Yongda and Meidong, as it remains the most defensive player with growing aftersales business.

Dealers reported new car sales loss. Since we flagged in 2022 (here), we have seen two years of price cuts by legacy luxury brands in China due to soft macro and intensified competition in the China market. All three dealers, Zhongsheng, Yongda and Meidong, reported new car sales loss (gross) at RMB1990mn/679mn(est.)/440mn, implying historically low margins of -3.3%/-3.0%/-5.1% respectively. This has led to 48%/73% earnings declines for Zhongsheng/Yongda and a net loss for Meidong in 1H24.

Aftersales market is the only safe haven. Zhongsheng/Meidong/Yongda reported +9%/+6%/0% YoY growth in aftersales revenue with stable gross margin in 1H24. Compared with new car sales, aftersales business is less cyclical, as it relies more on the existing customer base and service frequency. Although we see consumption downgrade in China, we still believe leading operating companies could maintain decent growth in the aftersales market with the help of strong operating efficiency and market share gains in local cities given smaller stores are expected to exit.

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
881 HK	BUY	HK$15.20
1268 HK	HOLD	HK$1.60
3669 HK	HOLD	HK$1.20

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
881 HK	BUY	HK$15.20 (HK$21.00)
1268 HK	HOLD	HK$1.60 (HK$3.00)
3669 HK	HOLD	HK$1.20 (HK$2.50)

Exhibit 1 - Dealers' New Car Sales Gross Margin

Source: Company, Jefferies

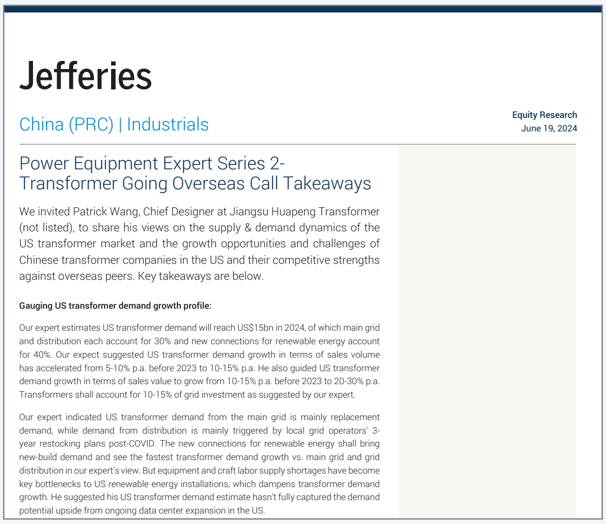
Vote for **Kelly Zou**

- Hong Kong
- Autos & Auto Parts
- Industrials
- Utilities & Alternative Energy

KEY REPORT

China (PRC) | Industrials | Power Equipment Expert Series 2-Transformer Going Overseas Call Takeaways

19 June 2024



Jefferies

China (PRC) | Industrials

Equity Research
June 19, 2024

Power Equipment Expert Series 2-
Transformer Going Overseas Call Takeaways

We invited Patrick Wang, Chief Designer at Jiangsu Huapeng Transformer (not listed), to share his views on the supply & demand dynamics of the US transformer market and the growth opportunities and challenges of Chinese transformer companies in the US and their competitive strengths against overseas peers. Key takeaways are below.

Gauging US transformer demand growth profile:

Our expert estimates US transformer demand will reach US$15bn in 2024, of which main grid and distribution each account for 30% and new connections for renewable energy account for 40%. Our expect suggested US transformer demand growth in terms of sales volume has accelerated from 5-10% p.a. before 2023 to 10-15% p.a. He also guided US transformer demand growth in terms of sales value to grow from 10-15% p.a. before 2023 to 20-30% p.a. Transformers shall account for 10-15% of grid investment as suggested by our expert.

Our expert indicated US transformer demand from the main grid is mainly replacement demand, while demand from distribution is mainly triggered by local grid operators' 3-year restocking plans post-COVID. The new connections for renewable energy shall bring new-build demand and see the fastest transformer demand growth vs. main grid and grid distribution in our expert's view. But equipment and craft labor supply shortages have become key bottlenecks to US renewable energy installations, which dampens transformer demand growth. He suggested his US transformer demand estimate hasn't fully captured the demand potential upside from ongoing data center expansion in the US.

Vote for **Alan Lau**

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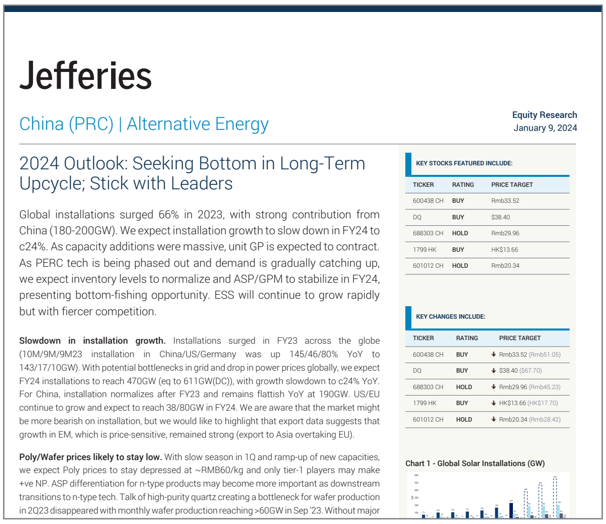
- Autos & Auto Parts
- Industrials
- Utilities & Alternative Energy

KEY REPORT

China (PRC) | Alternative Energy | 2024 Outlook: Seeking Bottom in Long-Term Upcycle; Stick with Leaders

9 January 2024



Jefferies

China (PRC) | Alternative Energy

Equity Research
January 9, 2024

2024 Outlook: Seeking Bottom in Long-Term Upcycle; Stick with Leaders

Global installations surged 66% in 2023, with strong contribution from China (180-200GW). We expect installation growth to slow down in FY24 to c24%. As capacity additions were massive, unit GP is expected to contract. As PERC tech is being phased out and demand is gradually catching up, we expect inventory levels to normalize and ASP/GPM to stabilize in FY24, presenting bottom-fishing opportunity. ESS will continue to grow rapidly but with fiercer competition.

Slowdown in installation growth. Installations surged in FY23 across the globe (10M/9M/9M23 installation in China/US/Germany was up 145/46/80% YoY to 143/17/10GW). With potential bottlenecks in grid and drop in power prices globally, we expect FY24 installations to reach 470GW (eq to 611GW(DC)), with growth slowdown to c24% YoY. For China, installation normalizes after FY23 and remains flattish YoY at 190GW. US/EU continue to grow and expect to reach 38/80GW in FY24. We are aware that the market might be more bearish on installation, but we would like to highlight that export data suggests that growth in EM, which is price-sensitive, remained strong (export to Asia overtaking EU).

Poly/Wafer prices likely to stay low. With slow season in 1Q and ramp-up of new capacities, we expect Poly prices to stay depressed at ~RMB60/kg and only tier-1 players may make +ve NP. ASP differentiation for n-type products may become more important as downstream transitions to n-type tech. Talk of high-purity quartz creating a bottleneck for wafer production in 2Q23 disappeared with monthly wafer production reaching >60GW in Sep '23. Without major

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
600438 CH	BUY	Rmb33.52
DQ	BUY	$38.40
688303 CH	HOLD	Rmb29.96
1799 HK	BUY	HK$13.66
601012 CH	HOLD	Rmb20.34

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
600438 CH	BUY	↓ Rmb33.52 (Rmb51.05)
DQ	BUY	↓ $38.40 ($67.70)
688303 CH	HOLD	↓ Rmb29.96 (Rmb45.23)
1799 HK	BUY	↓ HK$13.66 (HK$17.70)
601012 CH	HOLD	↓ Rmb20.34 (Rmb28.42)

Chart 1 - Global Solar Installations (GW)

Vote for **Jason Tan**

- Hong Kong
- Autos & Auto Parts
- Industrials
- Utilities & Alternative Energy

KEY REPORT

ASIA-PACIFIC | Electrical | Liquid Cooling
A Song of Ice and Fire

10 September 2024

Jefferies

Franchise Report

ASIA-PACIFIC | Electrical

Equity Research
September 10, 2024

Liquid Cooling - A Song of Ice and Fire

The game of AI is showing us a song of ice (i.e. advanced cooling solution) and fire (rising heat density). While this 'song' could last in next 5-10 years, we acknowledge competition is heating up. Diving into the competitive landscape, we prefer power components, system design and connector across the sub-segments. China local suppliers have opportunities as well, by providing customized service and in positioning in short-supply process.

AI proliferation makes heat dissipation attractive. We believe the demand for liquid cooling for AI data centers should sustain for the following 5-10 years, driven by continuous iteration of AI chips and rising heat dissipation requirements.

- In **overseas market,** we could see a clear product road map with rising heat density and product innovation over the recent years (Figures 13-14). As long as the performance per unit TDP keeps improving, we believe the rally of heat density keep pace in the coming years. The heat density per rack for NVIDIA will go far beyond current 132KW per rack (i.e. NVL72 GB200) in coming years to 250KW per rack, then 800KW and even 1,000KW per rack, per Vertiv's expert. Considering the liquid cooling solution is more cost-efficient to the whole data center, we forecast global liquid cooling TAM to rally from USD997m in 2023 to USD27.8bn in 2030E, representing 61% CAGR.
- In **China,** the development of liquid cooling has fallen behind due to the lower density of AI servers. However, we expect two factors to drive improving liquid cooling penetration in 2H24 and 2025. First is stricter power usage efficiency (PUE) requirements by China's government, which gives motivation to SOE names to front-load their investments on liquid cooling data centers. The second driver is Huawei's GPU capacity should more than

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
002837 CH	BUY	Rmb32.73
002851 CH	BUY	Rmb33.09

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
002837 CH	BUY	↓ Rmb32.73 (Rmb33.65)

Global Data Center Cooling TAM Projection

Source: Omdia, Jefferies estimates

China Data Center Cooling TAM Projection

Vote for **Nitij Mangal**

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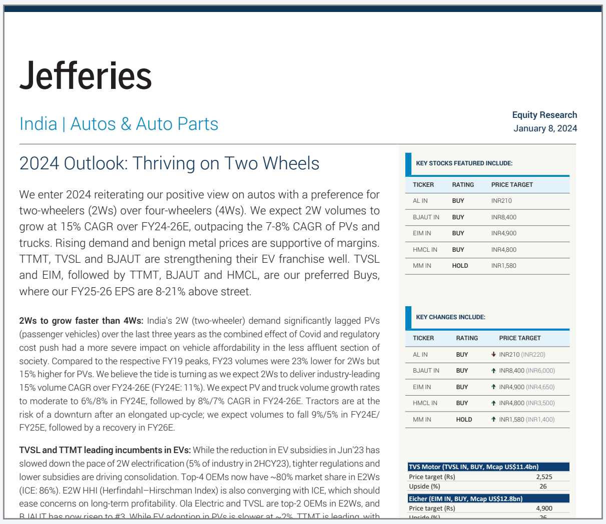
- Autos & Auto Parts
- Industrials

KEY REPORT

India | Autos & Auto Parts | 2024 Outlook: Thriving on Two Wheels

8 January 2024



Jefferies

India | Autos & Auto Parts

Equity Research
January 8, 2024

2024 Outlook: Thriving on Two Wheels

We enter 2024 reiterating our positive view on autos with a preference for two-wheelers (2Ws) over four-wheelers (4Ws). We expect 2W volumes to grow at 15% CAGR over FY24-26E, outpacing the 7-8% CAGR of PVs and trucks. Rising demand and benign metal prices are supportive of margins. TTMT, TVSL and BJAUT are strengthening their EV franchise well. TVSL and EIM, followed by TTMT, BJAUT and HMCL, are our preferred Buys, where our FY25-26 EPS are 8-21% above street.

2Ws to grow faster than 4Ws: India's 2W (two-wheeler) demand significantly lagged PVs (passenger vehicles) over the last three years as the combined effect of Covid and regulatory cost push had a more severe impact on vehicle affordability in the less affluent section of society. Compared to the respective FY19 peaks, FY23 volumes were 23% lower for 2Ws but 15% higher for PVs. We believe the tide is turning as we expect 2Ws to deliver industry-leading 15% volume CAGR over FY24-26E (FY24E: 11%). We expect PV and truck volume growth rates to moderate to 6%/8% in FY24E, followed by 8%/7% CAGR in FY24-26E. Tractors are at the risk of a downturn after an elongated up-cycle; we expect volumes to fall 9%/5% in FY24E/FY25E, followed by a recovery in FY26E.

TVSL and TTMT leading incumbents in EVs: While the reduction in EV subsidies in Jun'23 has slowed down the pace of 2W electrification (5% of industry in 2HCY23), tighter regulations and lower subsidies are driving consolidation. Top-4 OEMs now have ~80% market share in E2Ws (ICE: 86%). E2W HHI (Herfindahl–Hirschman Index) is also converging with ICE, which should ease concerns on long-term profitability. Ola Electric and TVSL are top-2 OEMs in E2Ws, and BJAUT has now risen to #3. While EV adoption in PVs is slower at ~2%, TTMT is leading with

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
AL IN	BUY	INR210
BJAUT IN	BUY	INR8,400
EIM IN	BUY	INR4,900
HMCL IN	BUY	INR4,800
MM IN	HOLD	INR1,580

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
AL IN	BUY	INR210 (INR220)
BJAUT IN	BUY	INR8,400 (INR6,000)
EIM IN	BUY	INR4,900 (INR4,650)
HMCL IN	BUY	INR4,800 (INR3,500)
MM IN	HOLD	INR1,580 (INR1,400)

TVS Motor (TVSL IN, BUY, Mcap US$11.4bn)
Price target (Rs) 2,525
Upside (%) 26
Eicher (EIM IN, BUY, Mcap US$12.8bn)
Price target (Rs) 4,900

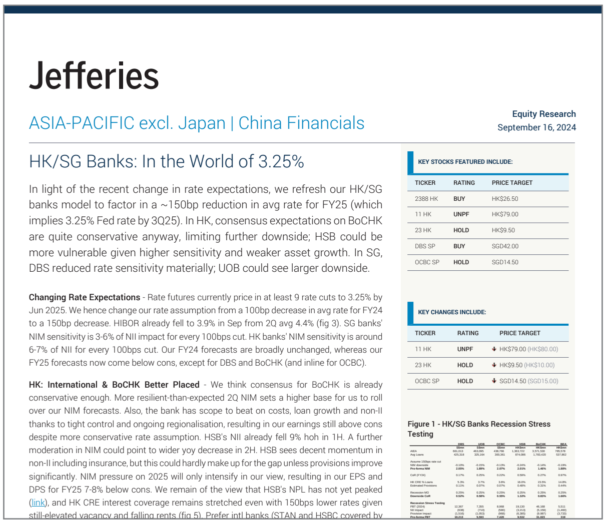
Vote for **Sam Wong**

- Hong Kong
- Banks & Non-bank Finance
- Economics
- Insurance

KEY REPORT

ASIA-PACIFIC excl. Japan | China Financials | HK/SG Banks: In the World of 3.25%

16 September 2024



Jefferies

ASIA-PACIFIC excl. Japan | China Financials

Equity Research
September 16, 2024

HK/SG Banks: In the World of 3.25%

In light of the recent change in rate expectations, we refresh our HK/SG banks model to factor in a ~150bp reduction in avg rate for FY25 (which implies 3.25% Fed rate by 3Q25). In HK, consensus expectations on BoCHK are quite conservative anyway, limiting further downside; HSB could be more vulnerable given higher sensitivity and weaker asset growth. In SG, DBS reduced rate sensitivity materially; UOB could see larger downside.

Changing Rate Expectations - Rate futures currently price in at least 9 rate cuts to 3.25% by Jun 2025. We hence change our rate assumption from a 100bp decrease in avg rate for FY24 to a 150bp decrease. HIBOR already fell to 3.9% in Sep from 2Q avg 4.4% (fig 3). SG banks' NIM sensitivity is 3-6% of NII impact for every 100bps cut. HK banks' NIM sensitivity is around 6-7% of NII for every 100bps cut. Our FY24 forecasts are broadly unchanged, whereas our FY25 forecasts now come below cons, except for DBS and BoCHK (and inline for OCBC).

HK: International & BoCHK Better Placed - We think consensus for BoCHK is already conservative enough. More resilient-than-expected 2Q NIM sets a higher base for us to roll over our NIM forecasts. Also, the bank has scope to beat on costs, loan growth and non-II thanks to tight control and ongoing regionalisation, resulting in our earnings still above cons despite more conservative rate assumption. HSB's NII already fell 9% hoh in 1H. A further moderation in NIM could point to wider yoy decrease in 2H. HSB sees decent momentum in non-II including insurance, but this could hardly make up for the gap unless provisions improve significantly. NIM pressure on 2025 will only intensify in our view, resulting in our EPS and DPS for FY25 7-8% below cons. We remain of the view that HSB's NPL has not yet peaked (link), and HK CRE interest coverage remains stretched even with 150bps lower rates given still-elevated vacancy and falling rents (fig 5). Prefer intl banks (STAN and HSBC covered by

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
2388 HK	BUY	HK$26.50
11 HK	UNPF	HK$79.00
23 HK	HOLD	HK$9.50
DBS SP	BUY	SGD42.00
OCBC SP	HOLD	SGD14.50

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
11 HK	UNPF	HK$79.00 (HK$80.00)
23 HK	HOLD	HK$9.50 (HK$10.00)
OCBC SP	HOLD	SGD14.50 (SGD15.00)

Figure 1 - HK/SG Banks Recession Stress Testing

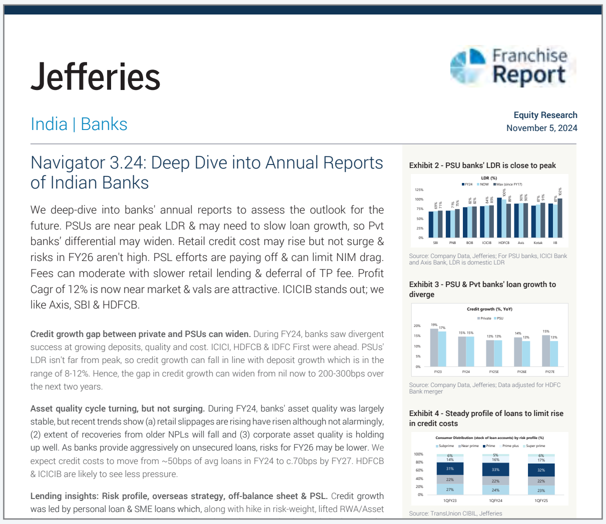
Vote for **Prakhar Sharma**

- India
- Banks & Non-bank Finance
- Insurance

KEY REPORT

India | Banks | Navigator 3.24: Deep Dive into Annual Reports of Indian Banks

5 November 2024



Jefferies

Franchise Report

India | Banks

Equity Research
November 5, 2024

Navigator 3.24: Deep Dive into Annual Reports of Indian Banks

We deep-dive into banks' annual reports to assess the outlook for the future. PSUs are near peak LDR & may need to slow loan growth, so Pvt banks' differential may widen. Retail credit cost may rise but not surge & risks in FY26 aren't high. PSL efforts are paying off & can limit NIM drag. Fees can moderate with slower retail lending & deferral of TP fee. Profit Cagr of 12% is now near market & vals are attractive. ICICIB stands out; we like Axis, SBI & HDFCB.

Credit growth gap between private and PSUs can widen. During FY24, banks saw divergent success at growing deposits, quality and cost. ICICI, HDFCB & IDFC First were ahead. PSUs' LDR isn't far from peak, so credit growth can fall in line with deposit growth which is in the range of 8-12%. Hence, the gap in credit growth can widen from nil now to 200-300bps over the next two years.

Asset quality cycle turning, but not surging. During FY24, banks' asset quality was largely stable, but recent trends show (a) retail slippages are rising have risen although not alarmingly, (2) extent of recoveries from older NPLs will fall and (3) corporate asset quality is holding up well. As banks provide aggressively on unsecured loans, risks for FY26 may be lower. We expect credit costs to move from ~50bps of avg loans in FY24 to c.70bps by FY27. HDFCB & ICICIB are likely to see less pressure.

Lending insights: Risk profile, overseas strategy, off-balance sheet & PSL. Credit growth was led by personal loan & SME loans which, along with hike in risk-weight, lifted RWA/Asset

Exhibit 2 - PSU banks' LDR is close to peak

Exhibit 3 - PSU & Pvt banks' loan growth to diverge

Exhibit 4 - Steady profile of loans to limit rise in credit costs

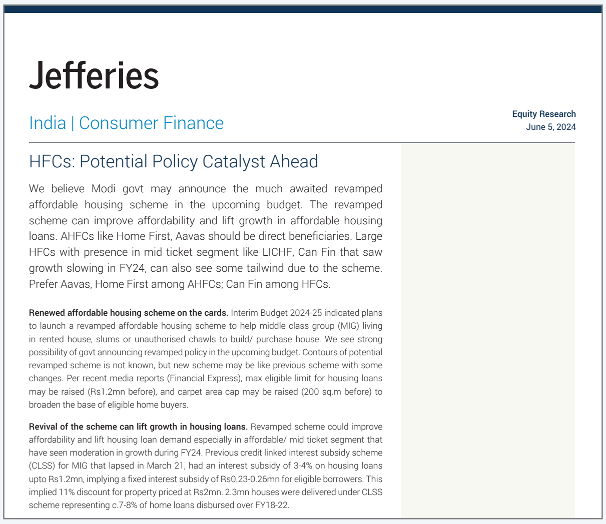
Vote for **Bhaskar Basu**

- India
- Banks & Non-bank Finance
- Utilities & Alternative Energy

KEY REPORT

India | Consumer Finance | HFCs: Potential Policy Catalyst Ahead

5 June 2024



Jefferies

India | Consumer Finance

Equity Research
June 5, 2024

HFCs: Potential Policy Catalyst Ahead

We believe Modi govt may announce the much awaited revamped affordable housing scheme in the upcoming budget. The revamped scheme can improve affordability and lift growth in affordable housing loans. AHFCs like Home First, Aavas should be direct beneficiaries. Large HFCs with presence in mid ticket segment like LICHF, Can Fin that saw growth slowing in FY24, can also see some tailwind due to the scheme. Prefer Aavas, Home First among AHFCs; Can Fin among HFCs.

Renewed affordable housing scheme on the cards. Interim Budget 2024-25 indicated plans to launch a revamped affordable housing scheme to help middle class group (MIG) living in rented house, slums or unauthorised chawls to build/ purchase house. We see strong possibility of govt announcing revamped policy in the upcoming budget. Contours of potential revamped scheme is not known, but new scheme may be like previous scheme with some changes. Per recent media reports (Financial Express), max eligible limit for housing loans may be raised (Rs1.2mn before), and carpet area cap may be raised (200 sq.m before) to broaden the base of eligible home buyers.

Revival of the scheme can lift growth in housing loans. Revamped scheme could improve affordability and lift housing loan demand especially in affordable/ mid ticket segment that have seen moderation in growth during FY24. Previous credit linked interest subsidy scheme (CLSS) for MIG that lapsed in March 21, had an interest subsidy of 3-4% on housing loans upto Rs1.2mn, implying a fixed interest subsidy of Rs0.23-0.26mn for eligible borrowers. This implied 11% discount for property priced at Rs2mn. 2.3mn houses were delivered under CLSS scheme representing c.7-8% of home loans disbursed over FY18-22.

Vote for **Jayant Kharote**

- India
- Banks & Non-bank Finance
- Insurance
- Internet

KEY REPORT

India | Financials | India F&O Primer

10 June 2024

Jefferies

India | Financials

Equity Research
June 10, 2024

India F&O Primer

Indian equity options are growing at +21% (FY25YTD) after expanding at 70% CAGR over FY21-24. India is the largest options market by volumes (+12x of US), however, ~70% trades occur on expiry-day and by open interest, India ranks 4th. Despite growing retail activity, prop trading desks & HNIs dominate bulk of the volumes and smaller traders (which make up 96% of investor base) contribute ~12% of option premiums. Regulators have raised concerns in recent days.

Indian equity derivatives market is largest by volumes, lags on OI/premiums: Indian equity derivatives market has delivered 70% CAGR over FY20-24 led by index options (91% of mix) and India is now the largest derivatives market globally by volumes (+12x of US). However, ~73% of monthly volumes in overall index options are traded on expiry days and in terms of equity options open interest (no. of contracts), India ranks 4th compared to large developed markets (US & Europe are 24x & 7x larger resp.). Options premium turnover on Indian exchanges are <30% of US (JEFe) and market structure is different in terms of, a) 100% cash-settled India market (vs high share of physical delivery ETF options in US), and b) absence of OTC options mkt.

Index options make up ~90% of Indian options market: India's equity option volumes are dominated by index options (all cash-settled) and top 3 products make up ~88% of monthly volumes. This compares differently to US market where index options (cash-settled) make up ~10% and along with ETF index options (physical delivery) make up ~50-55% of total equity option volumes while the rest are single-stock options.

0DTE is a global mega-trend, makes up ~34% of India's premiums: Increasing retail

Key takeaways

- India is the largest options market by volume but lags on value as open interest (4th largest) & premiums are relatively smaller compared to developed markets.
- Growth is moderating on a large base. Option premiums are growing at +21% (FY25YTD) after +32% YoY growth in FY24 and ~70% CAGR over FY21-24.
- Index options make up ~90% of India's equity option premiums. ~73% of volumes and ~34% of premiums are occurring on expiry day (0DTE).
- Retail traders in options have grown to ~4.4mn (vs <1mn in FY20) as digital discount brokers are leveraging rising smartphone/ internet penetration, easy eKYC through public digital infrastructure

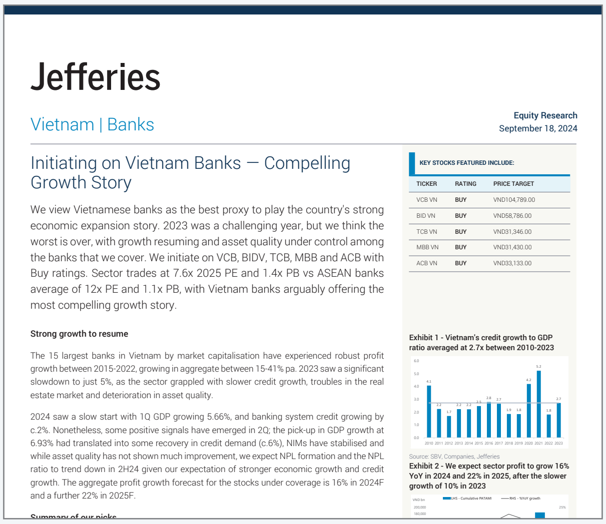
Vote for **Joanna Cheah**

- Banks & Non-bank Finance
- Consumer Discretionary

KEY REPORT

Vietnam | Banks | Initiating on Vietnam Banks Compelling Growth Story

18 September 2024



Jefferies

Vietnam | Banks

Equity Research
September 18, 2024

Initiating on Vietnam Banks — Compelling Growth Story

We view Vietnamese banks as the best proxy to play the country's strong economic expansion story. 2023 was a challenging year, but we think the worst is over, with growth resuming and asset quality under control among the banks that we cover. We initiate on VCB, BIDV, TCB, MBB and ACB with Buy ratings. Sector trades at 7.6x 2025 PE and 1.4x PB vs ASEAN banks average of 12x PE and 1.1x PB, with Vietnam banks arguably offering the most compelling growth story.

Strong growth to resume

The 15 largest banks in Vietnam by market capitalisation have experienced robust profit growth between 2015-2022, growing in aggregate between 15-41% pa. 2023 saw a significant slowdown to just 5%, as the sector grappled with slower credit growth, troubles in the real estate market and deterioration in asset quality.

2024 saw a slow start with 1Q GDP growing 5.66%, and banking system credit growing by c.2%. Nonetheless, some positive signals have emerged in 2Q; the pick-up in GDP growth at 6.93% had translated into some recovery in credit demand (c.6%), NIMs have stabilised and while asset quality has not shown much improvement, we expect NPL formation and the NPL ratio to trend down in 2H24 given our expectation of stronger economic growth and credit growth. The aggregate profit growth forecast for the stocks under coverage is 16% in 2024F and a further 22% in 2025F.

Summary of our picks

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
VCB VN	BUY	VND104,789.00
BID VN	BUY	VND58,786.00
TCB VN	BUY	VND31,346.00
MBB VN	BUY	VND31,430.00
ACB VN	BUY	VND33,133.00

Exhibit 1 - Vietnam's credit growth to GDP ratio averaged at 2.7x between 2010-2023

Source: SBV, Companies, Jefferies

Exhibit 2 - We expect sector profit to grow 16% YoY in 2024 and 22% in 2025, after the slower growth of 10% in 2023

Jefferies

Vote for **Anne Ling**

- Hong Kong
- Consumer Discretionary
- Thematic Research

KEY REPORT

China (PRC) | China Consumer | 2024 Outlook: Taking Growth into Their Own Hands Amid Challenging Market

22 November 2023

Jefferies

China (PRC) | China Consumer

Equity Research
November 22, 2023

2024 Outlook: Taking Growth into Their Own Hands Amid Challenging Market

Amid more cautious sentiment post C-19, Chinese consumers have turned more rational in their spending, even more than their global peers. With 2024 real GDP/retail sales projected at ~4.6%/5.1% (IMF, Wind), corporates are seeking sales/earnings growth via 1) new segments; 2) overseas, and 3) cost savings. **In selecting our top picks, we focus on 1) structural drivers, 2) company-specific events, and 3) cash return to investors.**

Consumers have become more rational. Consumers' income and wealth have been severely affected by the C-19 outbreak. Consumption has thus become more rational and we are seeing consumers trading down across segments. Despite recent government moves to relax property measures and expand tax allowances to improve disposable incomes, consumer sentiment has remained in the doldrums. We did a random check among mainland consumers to ask what would lead them to spend more, and their response was commonly straightforward: a 20-30% rise in property prices and/or salaries. However, such conditions for an improvement in consumer confidence do not align with the Chinese economy's 'new normal'. China's 2023/24/25 GDP growth is expected at 5.4/4.6/4.1% (IMF) vs 2016-2019's 6.6%.

Corporates' new normal - taking growth into their own hands. We expect 2024 to be a year of normalizing sales growth. Corporate budgets are already baking in China's 'new normal' economy. In our view, earnings growth will be driven not only by sales expansion, but also, and more importantly, by efficiency gains/cost control. The latter is less reliant on macro trends and depends more on managements' execution capabilities and industry dynamics,

Figure 1 - Top picks (ranked by preference)

Ticker	Company	PT	P/E 2024E	P/E 2025E
YUMC US	YUMC	USD65.5	20.6	17.2
603605 CH	Proya	RMB145	29.8	25.3
600519 CH	Moutai	RMB2175	26.5	22.6
MNSO US	Miniso	USD31.9	20.3	17.5
002891 CH	China Pet Foods	RMB29.5	30.3	23.6
603195 CH	Gongniu	RMB126	20.0	17.6
291 HK	CRB	HKD44.6	19.1	16.2
2319 HK	Mengniu	HKD41.0	12.9	11.0

Source: Jefferies estimates. Note: Miniso are FY25/26E. Prices as at close 17 Nov.

Figure 2 - China economy's 'new normal': China GDP for 2023/24/25 are expected at 5/5/4% (IMF) vs 2015-2019's 7%

Source: IMF estimates, China NBS, Jefferies. Note: IMF raised 23/24E by 0.4ppt on 7th Nov

Figure 3 - GDP target to reach that of mid-tier developed countries by 2035: GNI per capita to double from 2020 level and reach USD 20,000 in 2035

Vote for **John Chou**

- Hong Kong
- Consumer Discretionary

KEY REPORT

China (PRC) | China Consumer | 2024 Outlook: Taking Growth into Their Own Hands Amid Challenging Market

22 November 2023

Jefferies

China (PRC) | China Consumer

Equity Research
November 22, 2023

2024 Outlook: Taking Growth into Their Own Hands Amid Challenging Market

Vote for **Boya Zhen**

- Hong Kong
- Consumer Discretionary
- Thematic Research

KEY REPORT

China (PRC) | China Consumer | 2024 Outlook: Taking Growth into Their Own Hands Amid Challenging Market

22 November 2023

Jefferies

China (PRC) | China Consumer

Equity Research
November 22, 2023

2024 Outlook: Taking Growth into Their Own Hands Amid Challenging Market

Vote for **Lisa Liao**

- Hong Kong
- Consumer Discretionary

KEY REPORT

China (PRC) | China Consumer | DPC Dash

Kneading Expansion from Dough to Doorstep; Initiate with Buy

27 June 2024

Jefferies

China (PRC) | China Consumer

DPC Dash

Equity Research
June 27, 2024

Kneading Expansion from Dough to Doorstep; Initiate with Buy

DPC is Domino's Pizza's exclusive master franchisee in China mainland, HK and Macau. By 2026, we expect it to operate 1,708 stores, ~2.2x the 2023 level. Quick revenue/store ramp-up in new growth markets (75% of total units in 2026E vs. 54% in 2023) should also lead to better store-level profitability and economies of scale (lower G&A ratio). We expect it to deliver adj. NP CAGR 201% on revenue CAGR 29% in 2023-26E. Our DCF-based PT is HK$74.5; initiate w/ Buy.

A global brand revamped in China. DPC is Domino's Pizza's exclusive master franchisee in China mainland, HK and Macau, ranking No. 3 pizza brand in China with 5.3% market share by revenue in 2022 (Frost & Sullivan). China's pizza market is expected to grow at CAGR of ~14% in 2023-27E, with food delivery/lower tier cities growing faster. We expect DPC to benefit from these trends, with focus on pizza delivery and store network expansion to T1 below cities, empowered by a dedicated local mgmt since 2018. We expect revenue CAGR of 29% in 2023-26E, driven by store expansion.

DPC's vision is to become China's No. 1 pizza brand. It aims to operate a nationwide store network, offering Chinese consumers great taste, timely and reliable delivery, and high value for money. This will be achieved via store expansion, brand promotion, menu focusing on pizza and price optimization, technology investment, and delivery services. It operated 768 stores in China as of FY23, and **we expect this to accelerate with 240/350/350 net new store openings in '24/25/26E**, with '25/26E at the high end of mgmt's official guidance of 300-350, mainly in new growth markets other than Beijing and Shanghai.

INITIATING COVERAGE

RATING	BUY
PRICE	HK$64.45^
PRICE TARGET | % TO PT	HK$74.50 | +16%
52W HIGH-LOW	HK$77.30 - HK$42.60
FLOAT (%) | ADV MM (USD)	45.9% | 1.39
MARKET CAP	HK$8.4B | $1.1B
TICKER	1405 HK

^Prior trading day's closing price unless otherwise noted.

	CHANGE TO JEFe		JEF vs CONS	
	2024	2025	2024	2025
REV	NA	NA	-1%	-1%
EPS	NA	NA	-6%	-13%

2024 (RMB)	1Half	2Half	FY
EPS	-	-	(0.26)
PREV			

Vote for **Jingjue Pei**

- Hong Kong
- Consumer Discretionary

KEY REPORT

China (PRC) | China Consumer | Laopu Gold

Capture the Glitters through Heritage Craftsmanship; Initiating with Buy

26 September 2024

Jefferies

China (PRC) | China Consumer

Laopu Gold

Equity Research
September 26, 2024

Capture the Glitters through Heritage Craftsmanship; Initiating with Buy

Laopu targets the increasing demand of high-end pure gold jewelry with fine heritage craftsmanship and a luxurious retail experience. Through expanding offline stores and penetrating more wealthy households, we expect Laopu to deliver NP CAGR of 67% on sales CAGR of 53% for 2023-2026E. Our PT is HK$165, initiate with Buy.

Laopu positions itself to the increasing demand of Chinese HNWIs for high-end pure gold jewelry. Laopu is the first to promote heritage gold. It brought the design and craftsmanship of pure gold products to new levels and introduced it, together with the help of other gold brands, to a boarder consumer base. This fits into the 'rational spending' trend of HNWIs, which diverges from k-gold used by international luxury jewelry to fine, but also value-preservation pure-gold. Laopu was rated top 10 most desired brands for HNWIs in China in 2023/24 (Source Hurun).

Laopu's products and retail experience showcase its strong craftsmanship and consistent storytelling ability, which we think are the two keys to elevating its brand over time. On craftsmanship, Laopu produces 60% of products in-house and applies the among the strictest quality control in the industry. In terms of consistency, Laopu has raised product price every year since 2018 and has been disciplined on discounts. It uses a few signature series to derive new designs, upholding a coherent design language. Its retail experience in terms of storefront and services has also been unique & harmonious.

Laopu's clear and feasible channel expansion plan provides a degree of certainty in the mid-term. In 2024-26E, Laopu plans to open a total of 16 stores, teni n China and six overseas.

RATING | TARGET CHANGE

RATING	BUY
PRICE	HK$128.80^
PRICE TARGET | % TO PT	HK$165.00 | +28%
52W HIGH-LOW	HK$139.00 - HK$60.95
FLOAT (%) | ADV MM (USD)	56.3% | 50.86
MARKET CAP	HK$21.7B | HK$21.7B
TICKER	6181 HK

^Prior trading day's closing price unless otherwise noted.

	CHANGE TO JEFe		JEF vs CONS	
	2024	2025	2024	2025
REV	NA	NA	NA	NA
EPS	NA	NA	NA	NA

2024 (RMB)	1Half	2Half	FY
EPS	-	-	7.30
PREV			

Vote for **Vivek Maheshwari**

- India
- Consumer Discretionary
- Internet

KEY REPORT

India | Internet | Head-to-Head:
Nykaa (Platform) vs Honasa (Brand)

27 August 2024

Jefferies

India | Internet

Equity Research
August 27, 2024

Head-to-Head: Nykaa (Platform) vs Honasa (Brand)

Platform vs brand remains an interesting investor discussion, and we compare the two players on several parameters. While both ride on rising BPC adoption, especially in the online space, the platform is cushioned against any significant disruption, while Honasa, if ahead of the curve could enjoy outsized returns. On our assumptions, both should grow at >20% Cagr in revenue and >40% on Ebitda. We have Buy on both. Read on.

Similar TAM: Both operate in the lucrative BPC market, which has low per-capita spends and is likely to grow DD. Both have a skew towards masstige and above, which are growing faster. Nykaa benefits more from a shift to the online channel (29% Cagr), where it is the market leader, while Honasa rides on category growth along with share gain potential.

Market structure: Nykaa operates in a more consolidated BPC e-tail market, with 30% share (#1 player). Honasa operates in a fragmented space with 5% share in online BPC and <2% share of overall. Competition is a risk for both, although Honasa has always operated in a cluttered market, comprising FMCG incumbents, digital-first brands and int'l brands. Nykaa meanwhile has seen new competition emerge in the last few years, esp from Q/C.

Growth: Honasa has grown ahead of Nykaa in the last four years (18x) vs. Nykaa BPC (3x), albeit the former had a lower base. However, the gap has narrowed in the past few quarters, with both around 20-25% range, with Nykaa slightly outperforming Honasa.

Channel split: Offline is a focus for both, although much higher for Honasa (a third of revenue) vs. Nykaa (8-9% of GMV).

Parameters	Nykaa	Honasa
Business model	Specialist BPC retailer	BPC brand
TAM growth	Online BPC retail growing at >25% Cagr	Masstige + Premium BPC growing at 14-15% Cagr
Market structure	Consolidated. Nykaa is #1 with 30% share	Fragmented. Honasa is 5% of online and 1.5% of overall BPC
Historic NSV growth	3x in four years. +21% YoY in FY24	18x in 4 years. +32% YoY in FY24 (LFL)
Medium-term guidance	Mid-late 20s GMV Cagr	>20% revenue growth
Offline channel	Calibrated focus; 8-9% of GMV	>33% of revenue; key priority
Competition	Early mover, although competition rising	Competition has remained high
Concentration	Diversified across >3,000 brands. Own brands share at 13%	*Mamaearth* is >60% of revenue. Top-2 brands at >80% share
Other growth pillars	Nykaa Fashion, Superstore (e-B2B)	New brands, M&A option
Gross margin	40-42% - better vs. 3P retailers although lower vs. brands	70% - Higher than most FMCG companies
Ad-spends	9% of NSV	35% of revenue; 30% for *Mamaearth*
Ebitda margin	Low double-digit Ebitda margin	7% in FY24 - lower vs. FMCG companies
	60 days of working capital; gross block	Negative working

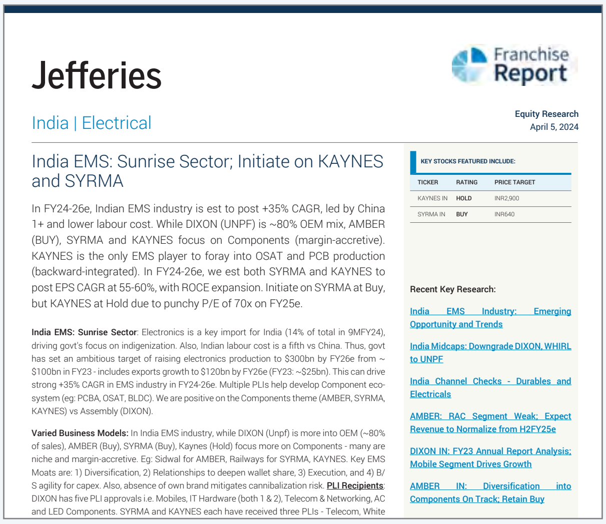
Vote for **Sonali Salgaonkar**

- India
- Consumer Discretionary
- Industrials

KEY REPORT

India | Electrical | India EMS: Sunrise Sector; Initiate on KAYNES and SYRMA

5 April 2024



Jefferies

Franchise Report

India | Electrical

Equity Research
April 5, 2024

India EMS: Sunrise Sector; Initiate on KAYNES and SYRMA

In FY24-26e, Indian EMS industry is est to post +35% CAGR, led by China 1+ and lower labour cost. While DIXON (UNPF) is ~80% OEM mix, AMBER (BUY), SYRMA and KAYNES focus on Components (margin-accretive). KAYNES is the only EMS player to foray into OSAT and PCB production (backward-integrated). In FY24-26e, we est both SYRMA and KAYNES to post EPS CAGR at 55-60%, with ROCE expansion. Initiate on SYRMA at Buy, but KAYNES at Hold due to punchy P/E of 70x on FY25e.

India EMS: Sunrise Sector: Electronics is a key import for India (14% of total in 9MFY24), driving govt's focus on indigenization. Also, Indian labour cost is a fifth vs China. Thus, govt has set an ambitious target of raising electronics production to $300bn by FY26e from ~ $100bn in FY23 - includes exports growth to $120bn by FY26e (FY23: ~$25bn). This can drive strong +35% CAGR in EMS industry in FY24-26e. Multiple PLIs help develop Component eco-system (eg: PCBA, OSAT, BLDC). We are positive on the Components theme (AMBER, SYRMA, KAYNES) vs Assembly (DIXON).

Varied Business Models: In India EMS industry, while DIXON (Unpf) is more into OEM (~80% of sales), AMBER (Buy), SYRMA (Buy), Kaynes (Hold) focus more on Components - many are niche and margin-accretive. Eg: Sidwal for AMBER, Railways for SYRMA, KAYNES. Key EMS Moats are: 1) Diversification, 2) Relationships to deepen wallet share, 3) Execution, and 4) B/S agility for capex. Also, absence of own brand mitigates cannibalization risk. **PLI Recipients**: DIXON has five PLI approvals i.e. Mobiles, IT Hardware (both 1 & 2), Telecom & Networking, AC and LED Components. SYRMA and KAYNES each have received three PLIs - Telecom, White

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
KAYNES IN	HOLD	INR2,900
SYRMA IN	BUY	INR640

Recent Key Research:

India EMS Industry: Emerging Opportunity and Trends

India Midcaps: Downgrade DIXON, WHIRL to UNPF

India Channel Checks - Durables and Electricals

AMBER: RAC Segment Weak; Expect Revenue to Normalize from H2FY25e

DIXON IN: FY23 Annual Report Analysis; Mobile Segment Drives Growth

AMBER IN: Diversification into Components On Track; Retain Buy

Vote for **Prateek Kumar**

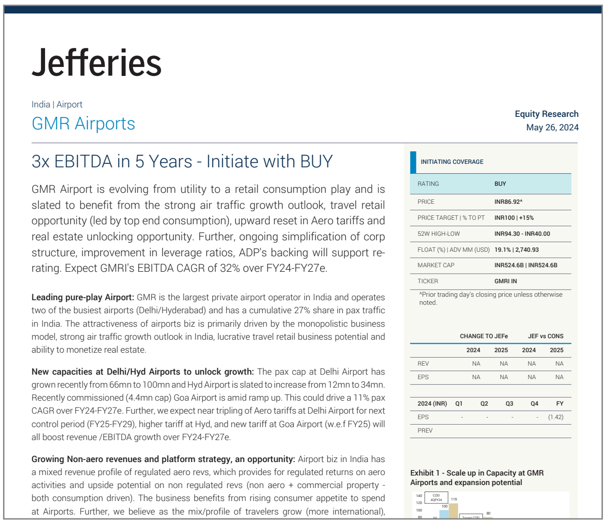
- India
- Consumer Discretionary
- Industrials

KEY REPORT

India | Airport | GMR Airports

3x EBITDA in 5 Years - Initiate with BUY

26 May 2024



Jefferies

India | Airport

GMR Airports

Equity Research
May 26, 2024

3x EBITDA in 5 Years - Initiate with BUY

GMR Airport is evolving from utility to a retail consumption play and is slated to benefit from the strong air traffic growth outlook, travel retail opportunity (led by top end consumption), upward reset in Aero tariffs and real estate unlocking opportunity. Further, ongoing simplification of corp structure, improvement in leverage ratios, ADP's backing will support re-rating. Expect GMRI's EBITDA CAGR of 32% over FY24-FY27e.

Leading pure-play Airport: GMR is the largest private airport operator in India and operates two of the busiest airports (Delhi/Hyderabad) and has a cumulative 27% share in pax traffic in India. The attractiveness of airports biz is primarily driven by the monopolistic business model, strong air traffic growth outlook in India, lucrative travel retail business potential and ability to monetize real estate.

New capacities at Delhi/Hyd Airports to unlock growth: The pax cap at Delhi Airport has grown recently from 66mn to 100mn and Hyd Airport is slated to increase from 12mn to 34mn. Recently commissioned (4.4mn cap) Goa Airport is amid ramp up. This could drive a 11% pax CAGR over FY24-FY27e. Further, we expect near tripling of Aero tariffs at Delhi Airport for next control period (FY25-FY29), higher tariff at Hyd, and new tariff at Goa Airport (w.e.f FY25) will all boost revenue /EBITDA growth over FY24-FY27e.

Growing Non-aero revenues and platform strategy, an opportunity: Airport biz in India has a mixed revenue profile of regulated aero revs, which provides for regulated returns on aero activities and upside potential on non regulated revs (non aero + commercial property - both consumption driven). The business benefits from rising consumer appetite to spend at Airports. Further, we believe as the mix/profile of travelers grow (more international),

INITIATING COVERAGE

RATING	BUY
PRICE	INR86.92^
PRICE TARGET | % TO PT	INR100 | +15%
52W HIGH-LOW	INR94.30 - INR40.00
FLOAT (%) | ADV MM (USD)	19.1% | 2,740.93
MARKET CAP	INR524.6B | INR524.6B
TICKER	GMRI IN

^Prior trading day's closing price unless otherwise noted.

	CHANGE TO JEFe		JEF vs CONS	
	2024	2025	2024	2025
REV	NA	NA	NA	NA
EPS	NA	NA	NA	NA

2024 (INR)	Q1	Q2	Q3	Q4	FY
EPS	-	-	-	-	(1.42)
PREV					

Exhibit 1 - Scale up in Capacity at GMR Airports and expansion potential

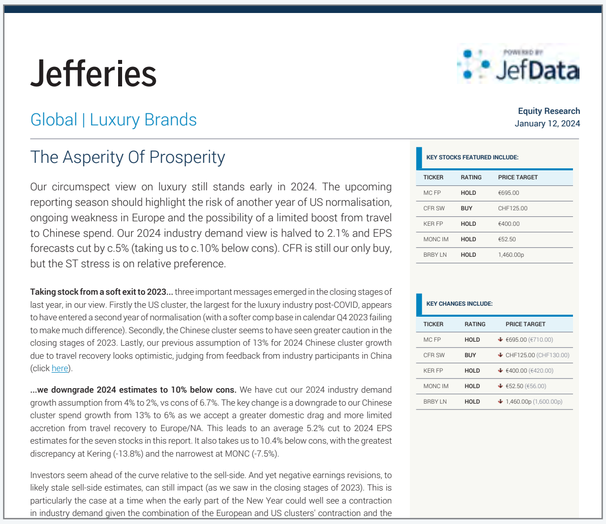
Vote for **James Grizinic**

- Hong Kong
- Consumer Discretionary
- Thematic Research

KEY REPORT

Global | Luxury Brands | The Asperity Of Prosperity

12 January 2024



Jefferies

POWERED BY JefData

Global | Luxury Brands

Equity Research
January 12, 2024

The Asperity Of Prosperity

Our circumspect view on luxury still stands early in 2024. The upcoming reporting season should highlight the risk of another year of US normalisation, ongoing weakness in Europe and the possibility of a limited boost from travel to Chinese spend. Our 2024 industry demand view is halved to 2.1% and EPS forecasts cut by c.5% (taking us to c.10% below cons). CFR is still our only buy, but the ST stress is on relative preference.

Taking stock from a soft exit to 2023... three important messages emerged in the closing stages of last year, in our view. Firstly the US cluster, the largest for the luxury industry post-COVID, appears to have entered a second year of normalisation (with a softer comp base in calendar Q4 2023 failing to make much difference). Secondly, the Chinese cluster seems to have seen greater caution in the closing stages of 2023. Lastly, our previous assumption of 13% for 2024 Chinese cluster growth due to travel recovery looks optimistic, judging from feedback from industry participants in China (click here).

...we downgrade 2024 estimates to 10% below cons. We have cut our 2024 industry demand growth assumption from 4% to 2%, vs cons of 6.7%. The key change is a downgrade to our Chinese cluster spend growth from 13% to 6% as we accept a greater domestic drag and more limited accretion from travel recovery to Europe/NA. This leads to an average 5.2% cut to 2024 EPS estimates for the seven stocks in this report. It also takes us to 10.4% below cons, with the greatest discrepancy at Kering (-13.8%) and the narrowest at MONC (-7.5%).

Investors seem ahead of the curve relative to the sell-side. And yet negative earnings revisions, to likely stale sell-side estimates, can still impact (as we saw in the closing stages of 2023). This is particularly the case at a time when the early part of the New Year could well see a contraction in industry demand given the combination of the European and US clusters' contraction and the

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
MC FP	HOLD	€695.00
CFR SW	BUY	CHF125.00
KER FP	HOLD	€400.00
MONC IM	HOLD	€52.50
BRBY LN	HOLD	1,460.00p

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
MC FP	HOLD	€695.00 (€710.00)
CFR SW	BUY	CHF125.00 (CHF130.00)
KER FP	HOLD	€400.00 (€420.00)
MONC IM	HOLD	€52.50 (€56.00)
BRBY LN	HOLD	1,460.00p (1,600.00p)

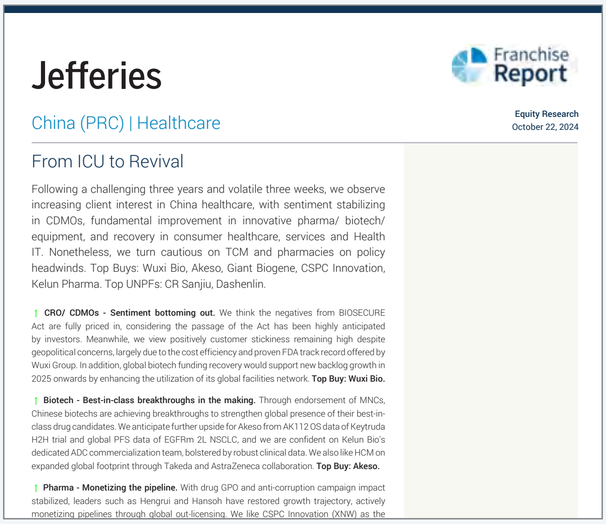
Vote for **Cui Cui**

- Hong Kong
- Healthcare, Pharma & Biotech
- Thematic Research

KEY REPORT

China (PRC) | Healthcare | From ICU to Revival

22 October 2024



Jefferies

Franchise Report

China (PRC) | Healthcare

Equity Research
October 22, 2024

From ICU to Revival

Following a challenging three years and volatile three weeks, we observe increasing client interest in China healthcare, with sentiment stabilizing in CDMOs, fundamental improvement in innovative pharma/ biotech/ equipment, and recovery in consumer healthcare, services and Health IT. Nonetheless, we turn cautious on TCM and pharmacies on policy headwinds. Top Buys: Wuxi Bio, Akeso, Giant Biogene, CSPC Innovation, Kelun Pharma. Top UNPFs: CR Sanjiu, Dashenlin.

↑ **CRO/ CDMOs - Sentiment bottoming out.** We think the negatives from BIOSECURE Act are fully priced in, considering the passage of the Act has been highly anticipated by investors. Meanwhile, we view positively customer stickiness remaining high despite geopolitical concerns, largely due to the cost efficiency and proven FDA track record offered by Wuxi Group. In addition, global biotech funding recovery would support new backlog growth in 2025 onwards by enhancing the utilization of its global facilities network. **Top Buy: Wuxi Bio.**

↑ **Biotech - Best-in-class breakthroughs in the making.** Through endorsement of MNCs, Chinese biotechs are achieving breakthroughs to strengthen global presence of their best-in-class drug candidates. We anticipate further upside for Akeso from AK112 OS data of Keytruda H2H trial and global PFS data of EGFRm 2L NSCLC, and we are confident on Kelun Bio's dedicated ADC commercialization team, bolstered by robust clinical data. We also like HCM on expanded global footprint through Takeda and AstraZeneca collaboration. **Top Buy: Akeso.**

↑ **Pharma - Monetizing the pipeline.** With drug GPO and anti-corruption campaign impact stabilized, leaders such as Hengrui and Hansoh have restored growth trajectory, actively monetizing pipelines through global out-licensing. We like CSPC Innovation (XNW) as the

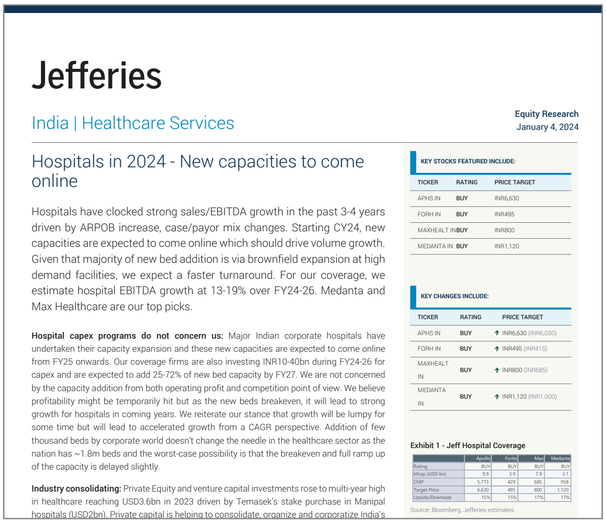
Vote for **Alok Dalal**

- India
- Healthcare, Pharma & Biotech

KEY REPORT

India | Healthcare Services | Hospitals in 2024
New capacities to come online

4 January 2024



Jefferies

India | Healthcare Services

Equity Research
January 4, 2024

Hospitals in 2024 - New capacities to come online

Hospitals have clocked strong sales/EBITDA growth in the past 3-4 years driven by ARPOB increase, case/payor mix changes. Starting CY24, new capacities are expected to come online which should drive volume growth. Given that majority of new bed addition is via brownfield expansion at high demand facilities, we expect a faster turnaround. For our coverage, we estimate hospital EBITDA growth at 13-19% over FY24-26. Medanta and Max Healthcare are our top picks.

Hospital capex programs do not concern us: Major Indian corporate hospitals have undertaken their capacity expansion and these new capacities are expected to come online from FY25 onwards. Our coverage firms are also investing INR10-40bn during FY24-26 for capex and are expected to add 25-72% of new bed capacity by FY27. We are not concerned by the capacity addition from both operating profit and competition point of view. We believe profitability might be temporarily hit but as the new beds breakeven, it will lead to strong growth for hospitals in coming years. We reiterate our stance that growth will be lumpy for some time but will lead to accelerated growth from a CAGR perspective. Addition of few thousand beds by corporate world doesn't change the needle in the healthcare sector as the nation has ~1.8m beds and the worst-case possibility is that the breakeven and full ramp up of the capacity is delayed slightly.

Industry consolidating: Private Equity and venture capital investments rose to multi-year high in healthcare reaching USD3.6bn in 2023 driven by Temasek's stake purchase in Manipal hospitals (USD2bn). Private capital is helping to consolidate, organize and corporatize India's

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
APHS IN	BUY	INR6,630
FORH IN	BUY	INR495
MAXHEALT IN	BUY	INR800
MEDANTA IN	BUY	INR1,120

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
APHS IN	BUY	↑ INR6,630 (INR6,030)
FORH IN	BUY	↑ INR495 (INR415)
MAXHEALT IN	BUY	↑ INR800 (INR685)
MEDANTA IN	BUY	↑ INR1,120 (INR1,000)

Exhibit 1 - Jeff Hospital Coverage

	Apollo	Fortis	Max	Medanta
Rating	BUY	BUY	BUY	BUY
Mcap (USD bn)	9.9	3.9	7.9	3.1
CMP	5,773	429	685	958
Target Price	6,630	495	800	1,120
Upside/Downside	15%	15%	17%	17%

Source: Bloomberg, Jefferies estimates

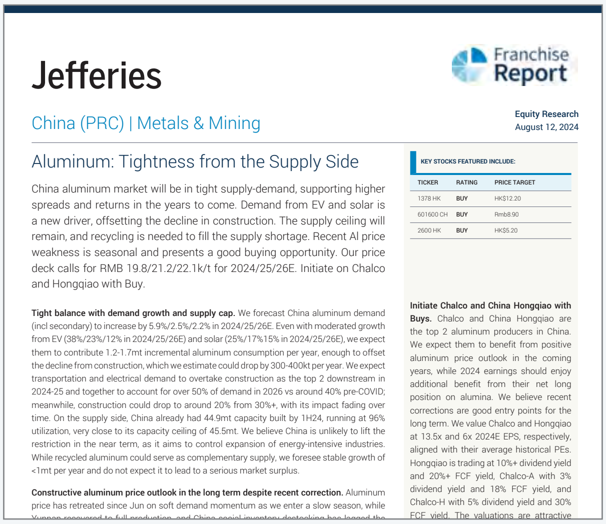
Vote for **Shuhang Jiang**

- Hong Kong
- Industrials
- Utilities & Alternative Energy

KEY REPORT

China (PRC) | Metals & Mining | Aluminum: Tightness from the Supply Side

12 August 2024



Jefferies

Franchise Report

China (PRC) | Metals & Mining

Equity Research
August 12, 2024

Aluminum: Tightness from the Supply Side

China aluminum market will be in tight supply-demand, supporting higher spreads and returns in the years to come. Demand from EV and solar is a new driver, offsetting the decline in construction. The supply ceiling will remain, and recycling is needed to fill the supply shortage. Recent Al price weakness is seasonal and presents a good buying opportunity. Our price deck calls for RMB 19.8/21.2/22.1k/t for 2024/25/26E. Initiate on Chalco and Hongqiao with Buy.

Tight balance with demand growth and supply cap. We forecast China aluminum demand (incl secondary) to increase by 5.9%/2.5%/2.2% in 2024/25/26E. Even with moderated growth from EV (38%/23%/12% in 2024/25/26E) and solar (25%/17%15% in 2024/25/26E), we expect them to contribute 1.2-1.7mt incremental aluminum consumption per year, enough to offset the decline from construction, which we estimate could drop by 300-400kt per year. We expect transportation and electrical demand to overtake construction as the top 2 downstream in 2024-25 and together to account for over 50% of demand in 2026 vs around 40% pre-COVID; meanwhile, construction could drop to around 20% from 30%+, with its impact fading over time. On the supply side, China already had 44.9mt capacity built by 1H24, running at 96% utilization, very close to its capacity ceiling of 45.5mt. We believe China is unlikely to lift the restriction in the near term, as it aims to control expansion of energy-intensive industries. While recycled aluminum could serve as complementary supply, we foresee stable growth of <1mt per year and do not expect it to lead to a serious market surplus.

Constructive aluminum price outlook in the long term despite recent correction. Aluminum price has retreated since Jun on soft demand momentum as we enter a slow season, while

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
1378 HK	BUY	HK$12.20
601600 CH	BUY	Rmb8.90
2600 HK	BUY	HK$5.20

Initiate Chalco and China Hongqiao with Buys. Chalco and China Hongqiao are the top 2 aluminum producers in China. We expect them to benefit from positive aluminum price outlook in the coming years, while 2024 earnings should enjoy additional benefit from their net long position on alumina. We believe recent corrections are good entry points for the long term. We value Chalco and Hongqiao at 13.5x and 6x 2024E EPS, respectively, aligned with their average historical PEs. Hongqiao is trading at 10%+ dividend yield and 20%+ FCF yield, Chalco-A with 3% dividend yield and 18% FCF yield, and Chalco-H with 5% dividend yield and 30% FCF yield. The valuations are attractive

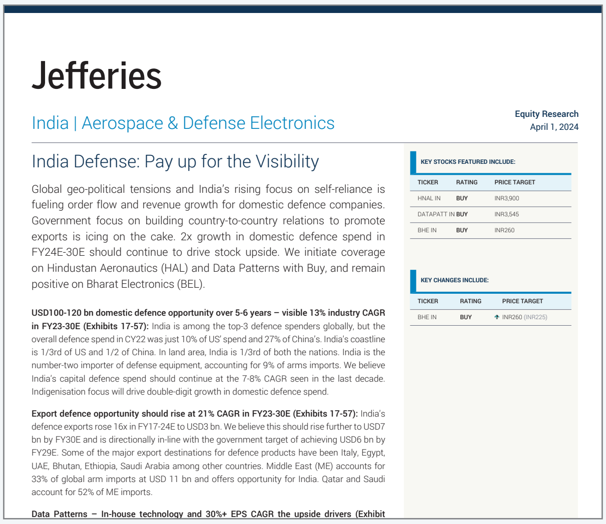
Vote for **Lavina Quadros**

- India
- Industrials
- Utilities & Alternative Energy

KEY REPORT

India | Aerospace & Defense Electronics | India Defense: Pay up for the Visibility

1 April 2024



Jefferies

India | Aerospace & Defense Electronics

Equity Research
April 1, 2024

India Defense: Pay up for the Visibility

Global geo-political tensions and India's rising focus on self-reliance is fueling order flow and revenue growth for domestic defence companies. Government focus on building country-to-country relations to promote exports is icing on the cake. 2x growth in domestic defence spend in FY24E-30E should continue to drive stock upside. We initiate coverage on Hindustan Aeronautics (HAL) and Data Patterns with Buy, and remain positive on Bharat Electronics (BEL).

USD100-120 bn domestic defence opportunity over 5-6 years – visible 13% industry CAGR in FY23-30E (Exhibits 17-57): India is among the top-3 defence spenders globally, but the overall defence spend in CY22 was just 10% of US' spend and 27% of China's. India's coastline is 1/3rd of US and 1/2 of China. In land area, India is 1/3rd of both the nations. India is the number-two importer of defense equipment, accounting for 9% of arms imports. We believe India's capital defence spend should continue at the 7-8% CAGR seen in the last decade. Indigenisation focus will drive double-digit growth in domestic defence spend.

Export defence opportunity should rise at 21% CAGR in FY23-30E (Exhibits 17-57): India's defence exports rose 16x in FY17-24E to USD3 bn. We believe this should rise further to USD7 bn by FY30E and is directionally in-line with the government target of achieving USD6 bn by FY29E. Some of the major export destinations for defence products have been Italy, Egypt, UAE, Bhutan, Ethiopia, Saudi Arabia among other countries. Middle East (ME) accounts for 33% of global arm imports at USD 11 bn and offers opportunity for India. Qatar and Saudi account for 52% of ME imports.

Data Patterns – In-house technology and 30%+ EPS CAGR the upside drivers (Exhibit

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
HNAL IN	BUY	INR3,900
DATAPATT IN	BUY	INR3,545
BHE IN	BUY	INR260

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
BHE IN	BUY	INR260 (INR225)

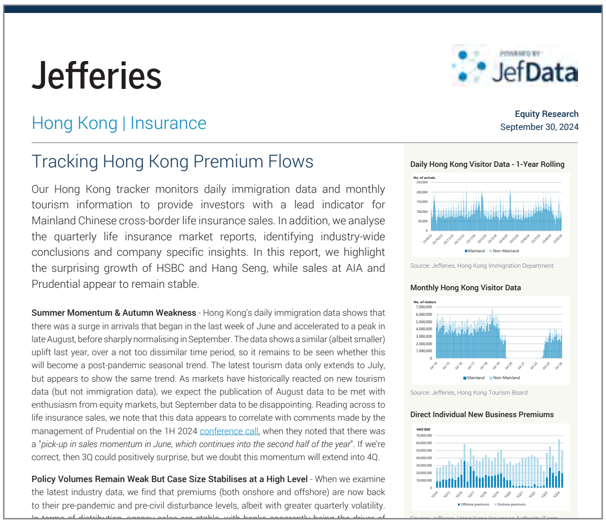
Vote for **Philip Kett**

- Hong Kong
- Insurance

KEY REPORT

Hong Kong | Insurance | Tracking Hong Kong Premium Flows

30 September 2024



Jefferies

JefData

Hong Kong | Insurance

Equity Research
September 30, 2024

Tracking Hong Kong Premium Flows

Our Hong Kong tracker monitors daily immigration data and monthly tourism information to provide investors with a lead indicator for Mainland Chinese cross-border life insurance sales. In addition, we analyse the quarterly life insurance market reports, identifying industry-wide conclusions and company specific insights. In this report, we highlight the surprising growth of HSBC and Hang Seng, while sales at AIA and Prudential appear to remain stable.

Summer Momentum & Autumn Weakness - Hong Kong's daily immigration data shows that there was a surge in arrivals that began in the last week of June and accelerated to a peak in late August, before sharply normalising in September. The data shows a similar (albeit smaller) uplift last year, over a not too dissimilar time period, so it remains to be seen whether this will become a post-pandemic seasonal trend. The latest tourism data only extends to July, but appears to show the same trend. As markets have historically reacted on new tourism data (but not immigration data), we expect the publication of August data to be met with enthusiasm from equity markets, but September data to be disappointing. Reading across to life insurance sales, we note that this data appears to correlate with comments made by the management of Prudential on the 1H 2024 conference call, when they noted that there was a *"pick-up in sales momentum in June, which continues into the second half of the year"*. If we're correct, then 3Q could positively surprise, but we doubt this momentum will extend into 4Q.

Policy Volumes Remain Weak But Case Size Stabilises at a High Level - When we examine the latest industry data, we find that premiums (both onshore and offshore) are now back to their pre-pandemic and pre-civil disturbance levels, albeit with greater quarterly volatility.

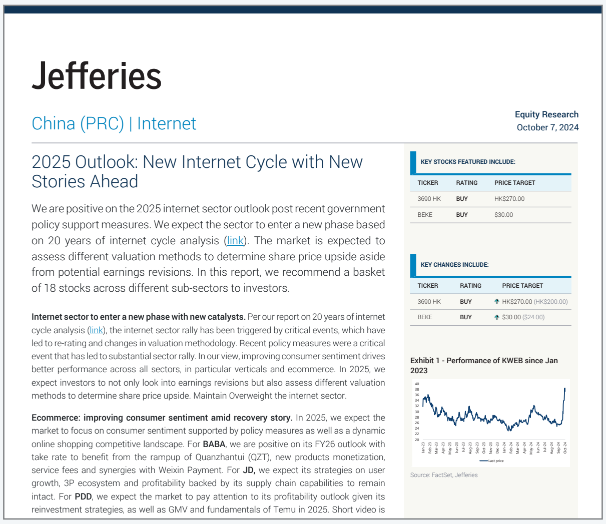
Vote for **Thomas Chong**

- Hong Kong
- Internet
- Thematic Research

KEY REPORT

China (PRC) | Internet | 2025 Outlook: New Internet Cycle with New Stories Ahead

7 October 2024



Jefferies

China (PRC) | Internet

Equity Research
October 7, 2024

2025 Outlook: New Internet Cycle with New Stories Ahead

We are positive on the 2025 internet sector outlook post recent government policy support measures. We expect the sector to enter a new phase based on 20 years of internet cycle analysis (link). The market is expected to assess different valuation methods to determine share price upside aside from potential earnings revisions. In this report, we recommend a basket of 18 stocks across different sub-sectors to investors.

Internet sector to enter a new phase with new catalysts. Per our report on 20 years of internet cycle analysis (link), the internet sector rally has been triggered by critical events, which have led to re-rating and changes in valuation methodology. Recent policy measures were a critical event that has led to substantial sector rally. In our view, improving consumer sentiment drives better performance across all sectors, in particular verticals and ecommerce. In 2025, we expect investors to not only look into earnings revisions but also assess different valuation methods to determine share price upside. Maintain Overweight the internet sector.

Ecommerce: improving consumer sentiment amid recovery story. In 2025, we expect the market to focus on consumer sentiment supported by policy measures as well as a dynamic online shopping competitive landscape. For **BABA**, we are positive on its FY26 outlook with take rate to benefit from the rampup of Quanzhantui (QZT), new products monetization, service fees and synergies with Weixin Payment. For **JD**, we expect its strategies on user growth, 3P ecosystem and profitability backed by its supply chain capabilities to remain intact. For **PDD**, we expect the market to pay attention to its profitability outlook given its reinvestment strategies, as well as GMV and fundamentals of Temu in 2025. Short video is

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
3690 HK	BUY	HK$270.00
BEKE	BUY	$30.00

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
3690 HK	BUY	HK$270.00 (HK$200.00)
BEKE	BUY	$30.00 ($24.00)

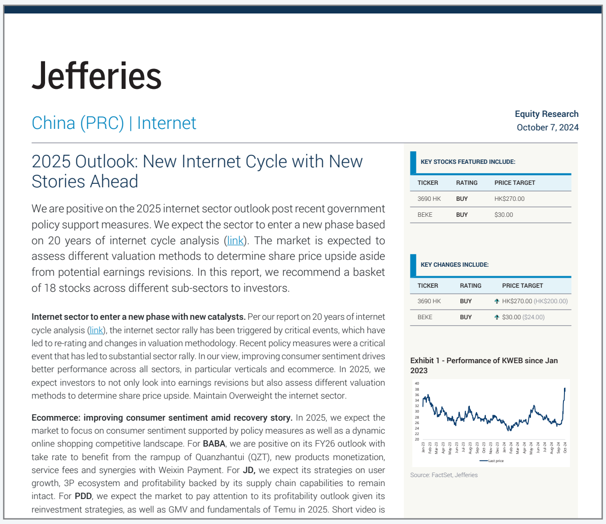
Vote for **Zoey Zong**

- Hong Kong
- Internet

KEY REPORT

China (PRC) | Internet | 2025 Outlook: New Internet Cycle with New Stories Ahead

7 October 2024



Jefferies

China (PRC) | Internet

Equity Research
October 7, 2024

2025 Outlook: New Internet Cycle with New Stories Ahead

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KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
3690 HK	BUY	HK$270.00
BEKE	BUY	$30.00

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
3690 HK	BUY	HK$270.00 (HK$200.00)
BEKE	BUY	$30.00 ($24.00)

Exhibit 1 - Performance of KWEB since Jan 2023

Source: FactSet, Jefferies

Vote for **Edison Lee**

- Hong Kong
- Technology IT Services & Software
- Technology Semiconductors
- Telecommunications
- Thematic Research

KEY REPORT

USA | Telecom & Networking Equipment | Apple Inc.
Waiting for the Apple to Ripen: Assume Coverage; Downgrade to HOLD

6 October 2024

Jefferies

Franchise Report

USA | Telecom & Networking Equipment

Apple Inc.

Equity Research
October 6, 2024

Waiting for the Apple to Ripen: Assume Coverage; Downgrade to HOLD

We like Apple Intelligence LT, as AAPL is the only hardware-software integrated player that can leverage proprietary data to offer low-cost, personalized AI services. But smartphone hardware needs rework before being capable of serious AI, with likely timeline of 2026/27. The high expectations for iPhone 16/17 are premature, in our view. Our 4QFY24E net profit is below cons, and current 33x adj FY24E PE is near all-time high. Assume coverage and D/G to HOLD.

Near-term expectations for iPhone 16 and even 17 are too high. AAPL remains all about the iPhone, as not only did the iPhone contribute 52% of FY23 revenue, but also drives other Apple device adoption and thus service revenue growth. A lack of material new features and limited AI coverage mean high market expectations (5%-10% unit growth) are unlikely to be met. Our analysis suggests weaker-than-expected initial demand. We forecast flattish volume growth for 2HCY24 iPhone 16 vs 15, and only 2.5% growth in lifecycle volume for iPhone 16.

AI-capable smartphone tech is likely 2-3 years away. Unlike AI servers, smartphones lack high-speed memory and advanced packaging tech that allow fast data transfer between AP and memory, thus limiting their AI capabilities. Every smartphone OEM is working on this, but commercialization is only likely in 2026/27. To expect an accelerated smartphone replacement cycle now due to AI is premature, in our view. However, AAPL is likely to introduce a thin model (17 Air) in 2025, which could attract more upgrade demand.

We are excited about its LT AI capabilities. AAPL is the only hardware-software integrated

ASSUMING COVERAGE

RATING	HOLD (BUY)
PRICE	$226.21*
PRICE TARGET | % TO PT	$212.92 ($205.00) | -6%
52W HIGH-LOW	$198.23 - $124.17
FLOAT (%) | ADV MM (USD)	102.6% | 12,765.06
MARKET CAP	$3.4T
TICKER	AAPL

*Prior trading day's closing price unless otherwise noted.
Price: as of 1 Oct 2024

	CHANGE TO JEFe		JEF vs CONS	
	2024	2025	2024	2025
REV	+3%	+7%	NM	-1%
EPS	-8%	+5%	-10%	-1%

2024 ($)	Q1A	Q2	Q3	Q4	FY
EPS	2.18	1.53	1.40	0.92	6.04
PREV					6.56

Cons. Source: Visible Alpha

Chart 1 - iPhone Sell-in Volume in the First Two Quarters of Launch (m)

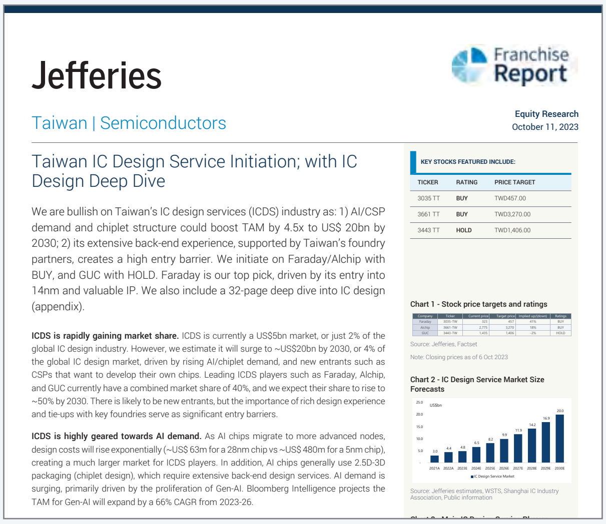
Vote for **Nick Cheng**

- Hong Kong
- Technology IT Services & Software
- Telecommunications

KEY REPORT

Taiwan | Semiconductors | Taiwan IC Design Service Initiation; with IC Design Deep Dive

11 October 2023



Jefferies

Franchise Report

Taiwan | Semiconductors

Equity Research
October 11, 2023

Taiwan IC Design Service Initiation; with IC Design Deep Dive

We are bullish on Taiwan's IC design services (ICDS) industry as: 1) AI/CSP demand and chiplet structure could boost TAM by 4.5x to US$ 20bn by 2030; 2) its extensive back-end experience, supported by Taiwan's foundry partners, creates a high entry barrier. We initiate on Faraday/Alchip with BUY, and GUC with HOLD. Faraday is our top pick, driven by its entry into 14nm and valuable IP. We also include a 32-page deep dive into IC design (appendix).

ICDS is rapidly gaining market share. ICDS is currently a US$5bn market, or just 2% of the global IC design industry. However, we estimate it will surge to ~US$20bn by 2030, or 4% of the global IC design market, driven by rising AI/chiplet demand, and new entrants such as CSPs that want to develop their own chips. Leading ICDS players such as Faraday, Alchip, and GUC currently have a combined market share of 40%, and we expect their share to rise to ~50% by 2030. There is likely to be new entrants, but the importance of rich design experience and tie-ups with key foundries serve as significant entry barriers.

ICDS is highly geared towards AI demand. As AI chips migrate to more advanced nodes, design costs will rise exponentially (~US$ 63m for a 28nm chip vs ~US$ 480m for a 5nm chip), creating a much larger market for ICDS players. In addition, AI chips generally use 2.5D-3D packaging (chiplet design), which require extensive back-end design services. AI demand is surging, primarily driven by the proliferation of Gen-AI. Bloomberg Intelligence projects the TAM for Gen-AI will expand by a 66% CAGR from 2023-26.

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
3035 TT	BUY	TWD457.00
3661 TT	BUY	TWD3,270.00
3443 TT	HOLD	TWD1,406.00

Chart 1 - Stock price targets and ratings

Source: Jefferies, Factset
Note: Closing prices as of 6 Oct 2023

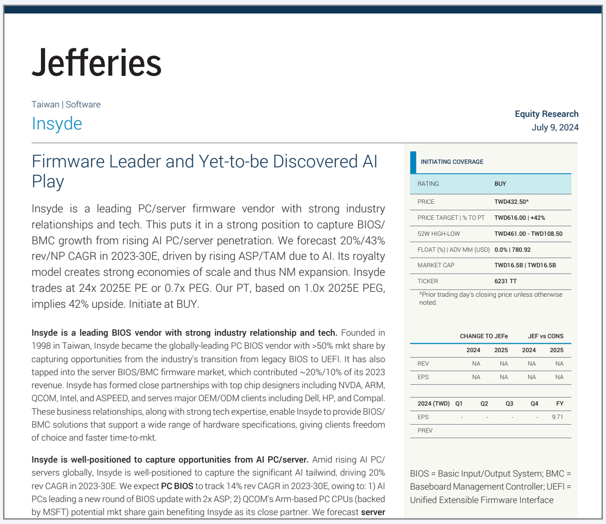
Chart 2 - IC Design Service Market Size Forecasts

Source: Jefferies estimates, WSTS, Shanghai IC Industry Association, Public information

Vote for **Matt Ma**

- Hong Kong
- Technology IT Services & Software
- Telecommunications

KEY REPORT
Taiwan | Software | Insyde
Firmware Leader and Yet-to-be Discovered AI Play
9 July 2024



Jefferies

Taiwan | Software
Insyde

Equity Research
July 9, 2024

Firmware Leader and Yet-to-be Discovered AI Play

Insyde is a leading PC/server firmware vendor with strong industry relationships and tech. This puts it in a strong position to capture BIOS/BMC growth from rising AI PC/server penetration. We forecast 20%/43% rev/NP CAGR in 2023-30E, driven by rising ASP/TAM due to AI. Its royalty model creates strong economies of scale and thus NM expansion. Insyde trades at 24x 2025E PE or 0.7x PEG. Our PT, based on 1.0x 2025E PEG, implies 42% upside. Initiate at BUY.

Insyde is a leading BIOS vendor with strong industry relationship and tech. Founded in 1998 in Taiwan, Insyde became the globally-leading PC BIOS vendor with >50% mkt share by capturing opportunities from the industry's transition from legacy BIOS to UEFI. It has also tapped into the server BIOS/BMC firmware market, which contributed ~20%/10% of its 2023 revenue. Insyde has formed close partnerships with top chip designers including NVDA, ARM, QCOM, Intel, and ASPEED, and serves major OEM/ODM clients including Dell, HP, and Compal. These business relationships, along with strong tech expertise, enable Insyde to provide BIOS/BMC solutions that support a wide range of hardware specifications, giving clients freedom of choice and faster time-to-mkt.

Insyde is well-positioned to capture opportunities from AI PC/server. Amid rising AI PC/servers globally, Insyde is well-positioned to capture the significant AI tailwind, driving 20% rev CAGR in 2023-30E. We expect **PC BIOS** to track 14% rev CAGR in 2023-30E, owing to: 1) AI PCs leading a new round of BIOS update with 2x ASP; 2) QCOM's Arm-based PC CPUs (backed by MSFT) potential mkt share gain benefiting Insyde as its close partner. We forecast **server**

INITIATING COVERAGE

RATING	BUY
PRICE	TWD432.50^
PRICE TARGET | % TO PT	TWD616.00 | +42%
52W HIGH-LOW	TWD461.00 - TWD108.50
FLOAT (%) | ADV MM (USD)	0.0% | 780.92
MARKET CAP	TWD16.5B | TWD16.5B
TICKER	6231 TT

^Prior trading day's closing price unless otherwise noted.

	CHANGE TO JEFe		JEF vs CONS	
	2024	2025	2024	2025
REV	NA	NA	NA	NA
EPS	NA	NA	NA	NA

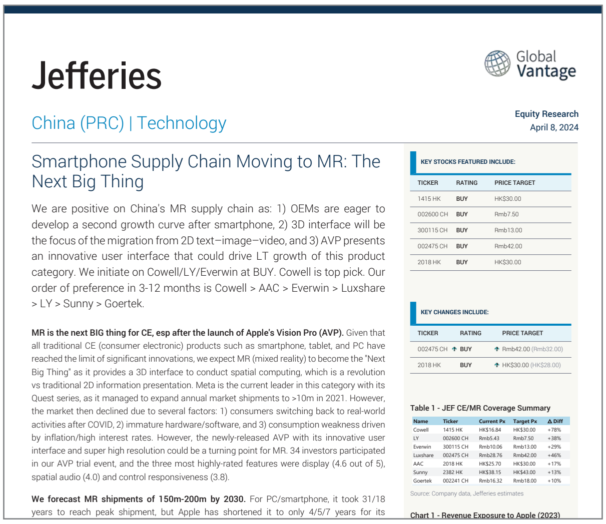
2024 (TWD)	Q1	Q2	Q3	Q4	FY
EPS	-	-	-	-	9.71
PREV					

BIOS = Basic Input/Output System; BMC = Baseboard Management Controller; UEFI = Unified Extensible Firmware Interface

Vote for **Jacky He**

- Hong Kong
- Technology IT Services & Software
- Telecommunications

KEY REPORT
China (PRC) | Technology | Smartphone Supply Chain Moving to MR: The Next Big Thing
8 April 2024



Jefferies

Global Vantage

China (PRC) | Technology

Equity Research
April 8, 2024

Smartphone Supply Chain Moving to MR: The Next Big Thing

We are positive on China's MR supply chain as: 1) OEMs are eager to develop a second growth curve after smartphone, 2) 3D interface will be the focus of the migration from 2D text–image–video, and 3) AVP presents an innovative user interface that could drive LT growth of this product category. We initiate on Cowell/LY/Everwin at BUY. Cowell is top pick. Our order of preference in 3-12 months is Cowell > AAC > Everwin > Luxshare > LY > Sunny > Goertek.

MR is the next BIG thing for CE, esp after the launch of Apple's Vision Pro (AVP). Given that all traditional CE (consumer electronic) products such as smartphone, tablet, and PC have reached the limit of significant innovations, we expect MR (mixed reality) to become the "Next Big Thing" as it provides a 3D interface to conduct spatial computing, which is a revolution vs traditional 2D information presentation. Meta is the current leader in this category with its Quest series, as it managed to expand annual market shipments to >10m in 2021. However, the market then declined due to several factors: 1) consumers switching back to real-world activities after COVID, 2) immature hardware/software, and 3) consumption weakness driven by inflation/high interest rates. However, the newly-released AVP with its innovative user interface and super high resolution could be a turning point for MR. 34 investors participated in our AVP trial event, and the three most highly-rated features were display (4.6 out of 5), spatial audio (4.0) and control responsiveness (3.8).

We forecast MR shipments of 150m-200m by 2030. For PC/smartphone, it took 31/18 years to reach peak shipment, but Apple has shortened it to only 4/5/7 years for its

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
1415 HK	BUY	HK$30.00
002600 CH	BUY	Rmb7.50
300115 CH	BUY	Rmb13.00
002475 CH	BUY	Rmb42.00
2018 HK	BUY	HK$30.00

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
002475 CH	↑ BUY	↑ Rmb42.00 (Rmb32.00)
2018 HK	BUY	↑ HK$30.00 (HK$28.00)

Table 1 - JEF CE/MR Coverage Summary

Name	Ticker	Current Px	Target Px	Δ Diff
Cowell	1415 HK	HK$16.84	HK$30.00	+78%
LY	002600 CH	Rmb5.43	Rmb7.50	+38%
Everwin	300115 CH	Rmb10.06	Rmb13.00	+29%
Luxshare	002475 CH	Rmb28.76	Rmb42.00	+46%
AAC	2018 HK	HK$25.70	HK$30.00	+17%
Sunny	2382 HK	HK$38.15	HK$43.00	+13%
Goertek	002241 CH	Rmb16.32	Rmb18.00	+10%

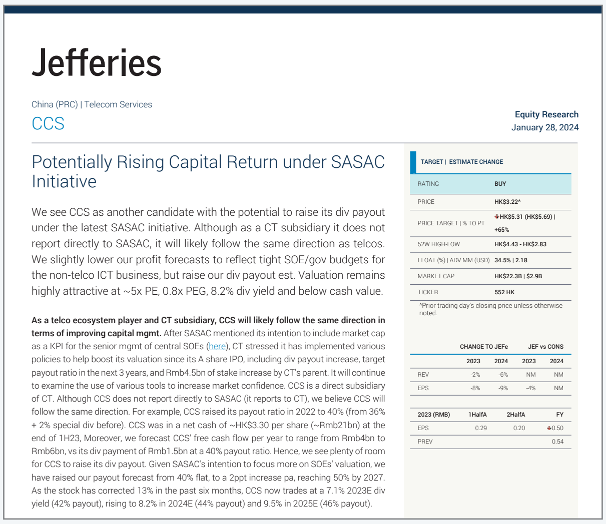
Source: Company data, Jefferies estimates

Chart 1 - Revenue Exposure to Apple (2023)

Vote for **Charlie Bai**

- Hong Kong
- Telecommunications

KEY REPORT
China (PRC) | Telecom Services | CCS
Potentially Rising Capital Return under SASAC Initiative
28 January 2024



Jefferies

China (PRC) | Telecom Services
CCS

Equity Research
January 28, 2024

Potentially Rising Capital Return under SASAC Initiative

We see CCS as another candidate with the potential to raise its div payout under the latest SASAC initiative. Although as a CT subsidiary it does not report directly to SASAC, it will likely follow the same direction as telcos. We slightly lower our profit forecasts to reflect tight SOE/gov budgets for the non-telco ICT business, but raise our div payout est. Valuation remains highly attractive at ~5x PE, 0.8x PEG, 8.2% div yield and below cash value.

As a telco ecosystem player and CT subsidiary, CCS will likely follow the same direction in terms of improving capital mgmt. After SASAC mentioned its intention to include market cap as a KPI for the senior mgmt of central SOEs (here), CT stressed it has implemented various policies to help boost its valuation since its A share IPO, including div payout increase, target payout ratio in the next 3 years, and Rmb4.5bn of stake increase by CT's parent. It will continue to examine the use of various tools to increase market confidence. CCS is a direct subsidiary of CT. Although CCS does not report directly to SASAC (it reports to CT), we believe CCS will follow the same direction. For example, CCS raised its payout ratio in 2022 to 40% (from 36% + 2% special div before). CCS was in a net cash of ~HK$3.30 per share (~Rmb21bn) at the end of 1H23, Moreover, we forecast CCS' free cash flow per year to range from Rmb4bn to Rmb6bn, vs its div payment of Rmb1.5bn at a 40% payout ratio. Hence, we see plenty of room for CCS to raise its div payout. Given SASAC's intention to focus more on SOEs' valuation, we have raised our payout forecast from 40% flat, to a 2ppt increase pa, reaching 50% by 2027. As the stock has corrected 13% in the past six months, CCS now trades at a 7.1% 2023E div yield (42% payout), rising to 8.2% in 2024E (44% payout) and 9.5% in 2025E (46% payout).

TARGET | ESTIMATE CHANGE

RATING	BUY
PRICE	HK$3.22^
PRICE TARGET | % TO PT	↓HK$5.31 (HK$5.69) | +65%
52W HIGH-LOW	HK$4.43 - HK$2.83
FLOAT (%) | ADV MM (USD)	34.5% | 2.18
MARKET CAP	HK$22.3B | $2.9B
TICKER	552 HK

^Prior trading day's closing price unless otherwise noted.

	CHANGE TO JEFe		JEF vs CONS	
	2023	2024	2023	2024
REV	-2%	-6%	NM	NM
EPS	-8%	-9%	-4%	NM

2023 (RMB)	1HalfA	2HalfA	FY
EPS	0.29	0.20	↓0.50
PREV			0.54

Vote for **Akshat Agarwal**

- India
- Technology IT Services & Software

KEY REPORT
India | Computer Services & IT Consulting | Indian IT 2024 Outlook - Optimism Warrants Substance; Stay Selective
4 January 2024

Jefferies

India | Computer Services & IT Consulting

Equity Research
January 4, 2024

Indian IT - 2024 Outlook - Optimism Warrants Substance; Stay Selective

In FY25, we expect continued focus on ROI by clients to result in a gradual pick-up in growth to 6% YoYcc for our coverage. Amidst slower growth, IT firms will intensify focus on cost controls which should support margins. While LT growth outlook remains healthy, demand recovery in CY25 will be key to avoid PE de-rating given the recent up-move. Infosys, Coforge and LTIM (U/G to Buy) are our key ideas given strong growth visibility/relative valuation comfort.

Theme 1 - ROI focus to limit growth acceleration: After two years of "growth-at-any-cost" mindset in CY21-22 led by CoVID, clients have shifted their focus towards ROI, which has impacted IT budgets in CY23 and will continue to do so in CY24. Lower-than-budgeted spending in CY23 also poses risks to CY24 budgets. Amid macro uncertainties, clients are unlikely to commit to higher budgets, which will lead to a more gradual pick-up in revenue growth for our coverage universe from 2% in FY24 to 6% YoYcc in FY25 - 160bps below consensus.

Theme 2 - Longer term outlook remains steady: Longer-term growth outlook for IT firms remains strong with three key structural demand drivers: 1) Cloud migration and boosting efficiency on existing cloud spends; 2) Generative AI will be a net positive for demand; 3) Outsourcing and offshoring will continue driving market share gains for Indian IT names. This should support hopes of revival in growth beyond FY25.

Theme 3 - Rising focus on margin expansion: IT firms will intensify their focus on margins

KEY STOCKS FEATURED INCLUDE:

TICKER	RATING	PRICE TARGET
HCLT IN	HOLD	INR1,500
INFO IN	BUY	INR1,720
INFY	BUY	$20.70
TCS IN	HOLD	INR4,000
TECHM IN	UNPF	INR1,100

KEY CHANGES INCLUDE:

TICKER	RATING	PRICE TARGET
HCLT IN	HOLD	↑ INR1,500 (INR1,240)
INFO IN	BUY	↑ INR1,720 (INR1,650)
INFY	BUY	↑ $20.70 ($19.80)
TCS IN	HOLD	↑ INR4,000 (INR3,690)
TECHM IN	UNPF	↑ INR1,100 (INR910)

Recommendation Summary

Stock	Recommendation		PT (Rs/share)	
	Old	New	Old	New
Infosys	BUY	BUY	1,650	1,720
Coforge	BUY	BUY	6,580	7,000
LTIM	HOLD	BUY	5,575	6,830

Vote for **Bhaskar Chakraborty**

- India
- Utilities & Alternative Energy

KEY REPORT
India | Integrated Oil | Reliance Industries
Jio's Potential Public Listing — Spinoff or IPO?
10 July 2024

Jefferies

India | Integrated Oil
Reliance Industries

Equity Research
July 10, 2024

Jio's Potential Public Listing — Spinoff or IPO?

The decision to spin off or IPO Jio hinges on balancing the upside potential of full value unlocking in the spin off with the lower controlling stake. With Indian market imputing 20-50% holdco discount to listed subsidiaries, controlling owner's less than majority stake in JFS at the time of spin off and strong performance of RIL and JFS stock post spin off lead us to believe Jio could be spun off. Insti investors prefer a spin off to avoid the holdco discount.

Jio's public listing looks possible in CY2025: Jio leading the way in the recent tariff hikes unlike in the past while keeping featurephone tariffs unchanged shows focus on monetization and subscriber market share gains. These moves create a case for a possible public listing in CY25 in our view. RIL could look to IPO or spin off Jio, as it did with Jio Financial Services (JFS).

The IPO route — Better control but holdco discount, needs large Retail mobilization: With 33.7% minority shareholding in Jio, RIL could fulfill IPO reqmt by listing 10% of Jio. Since Jio is past its peak capex phase, the entire IPO could be an Offer for Sale by minorities. However, 35% of an IPO is reserved for the Retail segment that would require large mobilization from retail investors (unsubscribed retail portion can be allocated to HNI/QIB based on their over-subscription). While RIL would retain majority control after the listing, our analysis suggests the Indian stock market imputes a holdco discount of 20-50% to a listed subsidiary in arriving at a holdco's fair value.

The Vertical Spin-off route — No holdco discount but lower stake for owner: RIL could look to spin off Jio and list it after a price discovery. Shareholders in RIL would receive their proportionate shareholding in Jio adjusted for RIL's 66.3% stake in the latter. This would

COMPANY UPDATE

RATING	BUY
PRICE	INR3,146.90^
PRICE TARGET | % TO PT	INR3,580 | +14%
52W HIGH-LOW	INR3,217.90 - INR2,221.05
FLOAT (%) | ADV MM (USD)	53.7% | 287.83
MARKET CAP	INR20.0T | $239.4B
TICKER	RELIANCE IN

^Prior trading day's closing price unless otherwise noted.

	CHANGE TO JEFe		JEF vs CONS	
	2025	2026	2025	2026
REV	NA	NA	NA	NA
EPS	NA	NA	+4%	-3%

2025 (INR)	Q1	Q2	Q3	Q4	FY
EPS	-	-	-	-	124.17
PREV					

Cons. Source: Factset

Vote for Malaysia / CIMB Securities

Walter Aw
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Banks & Nonbank Finance, Chemicals, Oil & Gas, Insurance, Transportation

Choong Chen Foong
Gaming & Lodging, Telecommunications, Utilities & Alternative Energy

Rachel Huang
Banks & Nonbank Finance, Thematic Research

Yue Jia Lim
Property (incl. REITs)

Vincent Loo
Economics, Thematic Research

Hoy Ken Mak
Basic Materials, Industrials (incl. Infrastructure), Property (incl. REITs)

Ivy (Lee Fang) Ng
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Mohd Shanaz Noor Azam
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Yee Sin Seh
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CIMB Securities

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Yonghyun Choi
Consumer Discretionary, South Korea Research

Wooje Chun
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South Korea Research

Yougun Han
Small & Midcap Stocks,
South Korea Research

Dongik Jeong
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South Korea Research

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Semiconductors, South Korea Research

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Peter Kim
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Internet, South Korea Research

KB Securities

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Economics

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