



Dim Sum Daily
每日港股简评



Market Overview

Yesterday, the Hong Kong stocks market slumped on the fall of tech names after non-executive director Neil Shen sold his stake in Meituan-W (3690 HK) late last month and JD Health (6618 HK) chairman Richard Liu sold c.8.8m shares of JD Health over the past week. Meituan-W and JD Health sank 4.5% and 12.9%, respectively. This added selling pressures on the stocks market at current weak market sentiment. The Hang Seng Index corrected 232pts to 20,869pts with a daily turnover of HKD72.4b. Overnight, U.S. stocks markets spiked following the rate decision (+50bps) where Powell said a 75bps hike was something the FOMC is not actively considering, easing market concerns the Fed would adopt more aggressive policy. Nasdaq outperformed other indexes. According to ig.com, the Hang Seng Index is expected to open c.300pts higher this morning to 21,150pts.

Sector News

Macau Gaming - Weak 1Q22 Results

Several updates for Macau gaming are as follow: (1) 1Q22 results: SJM (880 HK) 1Q22 adjusted property EBITDA loss improved sequentially to HKD474m (vs. consensus forecast of HKD499m) driven by lower costs with the daily run rate for existing business; MGM China (2282 HK) 1Q22 property EBITDA loss of USD26m; (2) During the May Labour day holiday, visitation is stronger than expected with c.25,000/ day on Sunday and Monday after Macau slightly relaxed travel restrictions for Guangdong arrivals with negative COVID-19 nucleic results extended to 72 hours prior to arrival from 48 hours. Market believes the sector is bottoming after Guangdong travel restrictions easing.

Company News

BYD Co. (1211 HK)

BYD's total sales volume in April reached 106,042 units (+134% YoY). Among them, the sales volume of the DM series was 48,072 units, up 438.9% YoY, while that of the EV series was 57,403 units (+256% YoY). The sales volume of its Qin and Song series both exceeded 20k units, and the latter even exceeded 25k units. The Qin series is likely to enter the top five in the SUV segment, and also make it to the forefront in the sedan segment. When the impact of the epidemic weakens, market expects BYD's sales volume to ascend to a record high and believes plug-in hybrid EV (PHEV) to outpace the growth of EV in China in 2022E.

Yum China-S (9987 HK)

Its 1Q22 total revenues increased 4% YoY to USD2.67b and net income decreased 57% to USD100m. The decline in operating profit and loss of USD37m from its mark-to-market investment in Meituan Dianping. The company repurchased 5m shares for USD232m with an average price of USD46.57 per share. It has USD1.4b remaining in the share repurchase program. It also declared a cash dividend of USD0.12 per share. By division, KFC saw a 4% decline in system sales and -9% in same store sales (SSS). It added 297 stores in 1Q22. Pizza Hut recorded 1% decline in system sales and -5% in SSS. Although facing a worsen situation in 2H of March, 1Q22 was at the high end of its estimated range.

PSBC (1658 HK)

PSBC's 1Q22 results outperformed its peers as follow: (1) its net interest margin (NIM) remained at 2.32% QoQ, supported by a flat QoQ asset yield and 2bp contraction in liability cost; (2) its 1Q22 gross/net fee income rose by 13%/40% YoY; (3) the NPL ratio for inclusive MSE loan business improved to 1.65% at end-1Q22 vs. an industry average of 2.07%; (4) insurance agency income and precious metal agency income rose by 56% and 34% YoY, respectively, backed by AIA's strategic investment in China Post Life; (5) credit-card business income increased by 30% YoY given weakened social consumption.

Junshi (1877 HK)

Junshi and partner Coherus announced that the U.S. FDA has issued a complete response letter (CRL) for the BLA for their co-developed PD-1 inhibitor toripalimab (Tuoyi) in combination with gemcitabine and cisplatin in the 1L treatment of advanced recurrent or metastatic NPC, and for toripalimab monotherapy in 2L+ treatment of recurrent or metastatic NPC after platinumcontaining chemotherapy. The CRL requests a quality process change, which Junshi and Coherus believe is readily addressable. The two firms plan to meet with the FDA directly and expect to resubmit the BLA by mid-summer 2022E.

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