

Edvantage Group Holdings Limited

3Q Earnings Boosted by Sichuan Colleges, Vocational Businesses

Edvantage achieved a 47.9% y-o-y increase in revenue and 50.3% y-o-y rise in gross profit for 3QFY21. This is mainly underpinned by the increase in student enrolments at its existing and newly acquired colleges. The high GP Margins also reflect the company's solid execution to integrate the newly acquired Sichuan colleges, in our view.

Stock retreated by 44% amid regulatory risks

Edvantage's share price has now declined 44% from 2021 peak levels amid investors' concerns on the sector's regulatory risks, in our view. Following the latest share price decline, the stock is now trading at 12.6x FY21E P/E and a div yield of 1.7%. Following the latest 3QFY21 results announcement, the company has now completed 73.4% of our full-year revenue estimate. The company is on track to achieve our FY21E estimates of a 53% y-o-y growth in revenue and a 43% y-o-y growth in net profit, in our view.

3QFY21 Results Boosted by Sichuan Colleges and Vocational Business

On 26 July 2021, the company announced its 3QFY21 operating results, achieving a record-high revenue of RMB901.3m and gross profit of RMB449.3m, implying a y-o-y increase of 47.9% and 50.3% respectively. The increase in revenue was largely due to the consolidation of the results from the recently acquired Sichuan colleges (i.e. Urban Vocational College and Urban Technician College) since January 2021, contributing 16.8% of the company's total revenue. Moreover, we believe the gross profit margin increase of 80bps despite the consolidation of the M&A of the Sichuan colleges, reflects the company's execution strength.

Student enrolments surpassed FY21E target

The company had 62,442 student enrolments for 3QFY21, achieving its FY21E target of 60,000+, which is mainly underpinned by the increase in student enrolments in Huashang College and Huashang Vocational College in Guangdong, as well as consolidating those of the newly acquired Sichuan colleges.

Key Risks

Key risks for the stock include: (1) further tightening of regulatory environment; (2) tuition fees growth slower than expected; and (3) student enrolments weaker than expected.

Stock code: 0382.HK

Rating: Buy

Price target (HK\$)	13.72
Current price (HK\$, 26 Jul 2021)	5.84
Upside/downside %	135%
Market cap (HK\$ m)	6,260
Market cap (US\$ m)	805
Avg daily turnover (US\$ m)	2.08

Source: Bloomberg, AMTD Research

Key forecasts

(RMBm)	FY20	FY21E	FY22E	FY23E
Revenue	800	1,222	1,609	1,957
yoy %	13.6%	52.8%	31.6%	21.6%
Gross Profit	396	612	824	1,021
yoy %	15.7%	54.4%	34.7%	23.9%
Core Net Profit	291	418	583	742
yoy %	34.5%	43.4%	39.3%	27.3%
Gross margin	49.5%	50.1%	51.2%	52.2%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash
EPS	0.29	0.39	0.54	0.69
DPS	0.08	0.12	0.16	0.21
BPS	1.80	2.34	2.72	3.20

Source: Company data, AMTD Research

Valuation

	FY20	FY21E	FY22E	FY23E
P/E	17.1	12.6	9.0	7.1
P/BV	2.7	2.1	1.8	1.5
Div. yield	1.7%	2.4%	3.3%	4.2%
ROE	15.9%	16.7%	20.0%	21.6%
ROA	8.3%	9.5%	11.3%	12.4%

Source: Bloomberg, AMTD Research

Share price performance



Source: Bloomberg

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Figure 1: Peers Valuation Comparison

Date	7/26/2021	Share Price	Mkt cap	P/E			CAGR	Div. yield
Ticker	Name(EN)	(HK\$)	(USD mn)	FY20	FY21E	FY22E	19-22E	FY20
Higher Education								
839 HK	China Education	12.90	3,770	24.0x	16.0x	12.9x	44%	1.1%
1765 HK	Hope Education	1.34	1,375	NA	9.9x	8.0x	27%	0.0%
6169 HK	China Yuehua Education	4.60	1,984	13.6x	9.7x	8.1x	27%	4.2%
1890 HK	China Kepei Education	4.38	1,135	12.8x	9.5x	7.7x	32%	2.6%
382 HK	Edvantage Group*	5.84	805	17.1x	12.6x	9.0x	27%	1.7%
2001 HK	China New Higher	3.81	777	NA	7.6x	6.0x	29%	3.0%
1935 HK	JH Educational	2.08	428	11.1x	9.2x	8.4x	18%	0.0%
1569 HK	Minsheng Education	1.08	586	24.0x	6.2x	5.2x	26%	0.9%
2779 HK	China Xinhua Education	1.79	370	8.4x	6.3x	5.0x	24%	3.8%
1756 HK	Huali University	1.90	293	5.8x	5.0x	3.9x	NA	6.6%
1593 HK	Chenlin Education	2.50	321	NA	NA	NA	NA	0.8%
1525 HK	Shanghai Gench	5.40	288	9.7x	7.2x	5.9x	18%	0.0%
1969 HK	China Chunlai Education	1.35	208	NA	NA	NA	NA	0.0%
1598 HK	China 21st Education	0.48	71	NA	NA	NA	NA	3.7%
1851 HK	China Gingko Education	1.37	88	NA	NA	NA	NA	0.0%
Total/Average			12,500	14.0x	9.0x	7.3x	27%	1.9%

Source: Bloomberg, *AMTD Research Estimates

Note: As of 26 July 2021

IMPORTANT DISCLOSURES

AMTD Investment Ratings

Stock Rating

Buy	Stock with potential return of over 20% over the next 12 months
Hold	Stock with potential return of -20% to +20% over the next 12 months
Sell	Stock with potential loss of over 20% over the next 12 months

Analyst Certification

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