



Teamsun Technology (600410:CH)

Beijing Teamsun Technology Co., Ltd.

Leading cloud computing vendors

Mockingbird

Yuan Yan

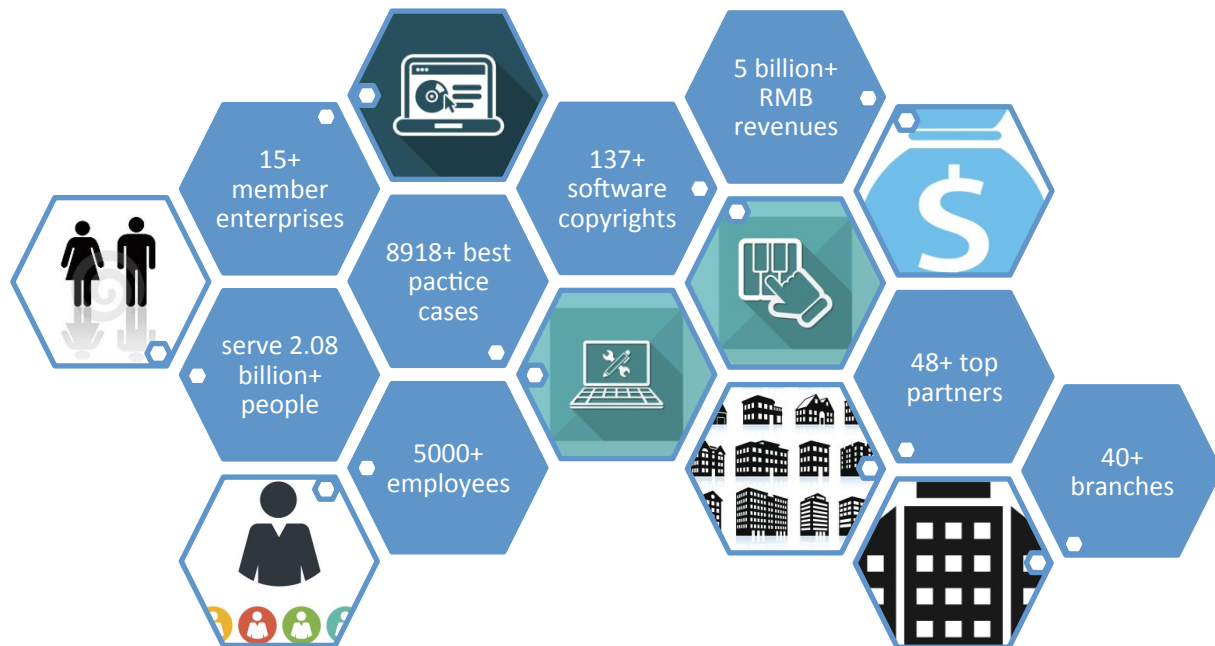
Liu Ke

Geng Jie

Han Yu

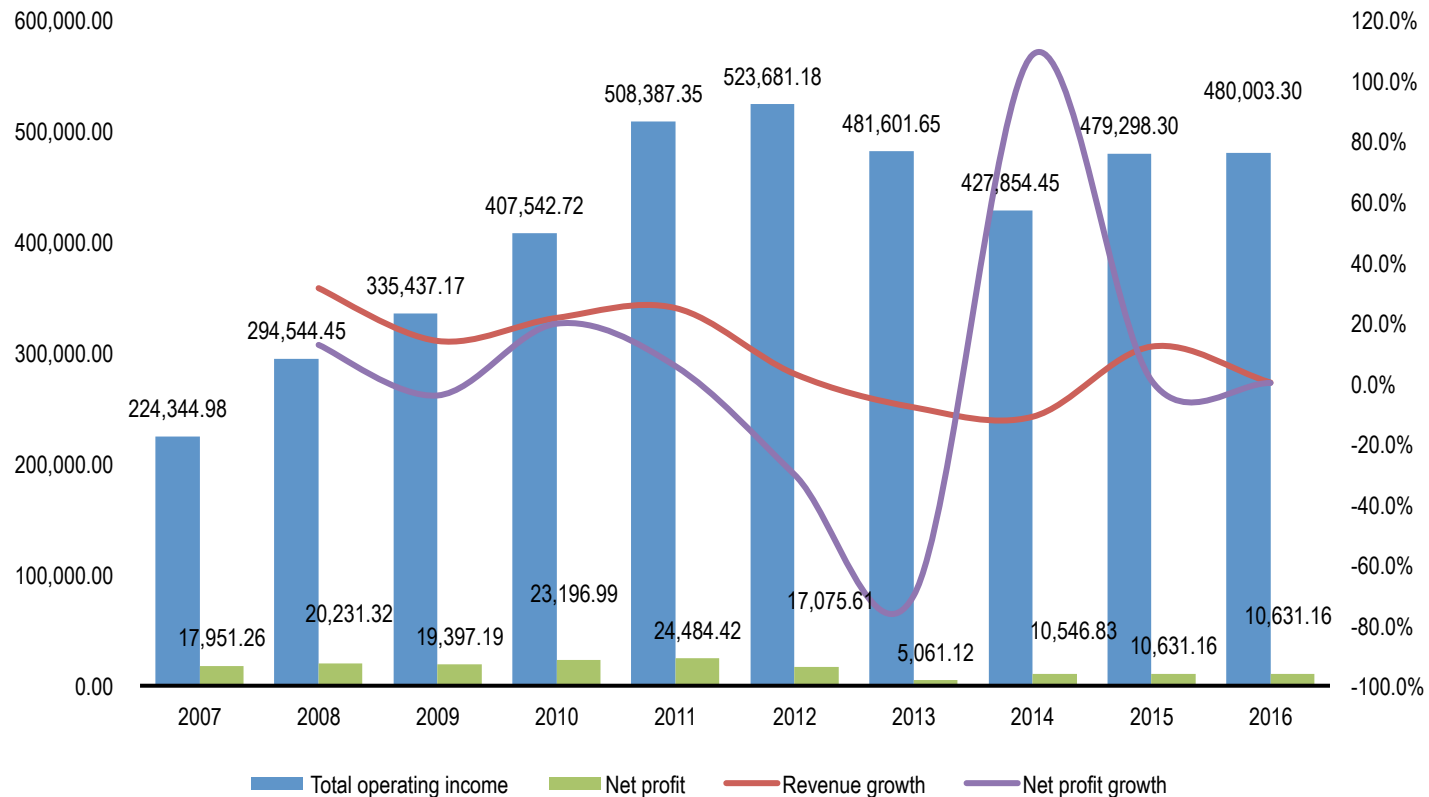
Wang Yibing

Liu Jianqiang



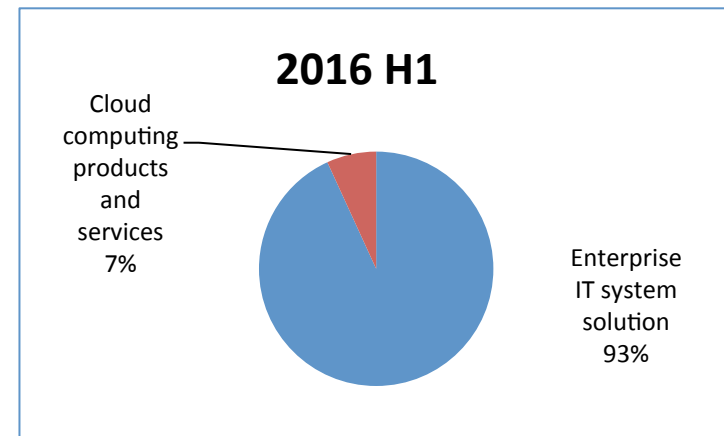
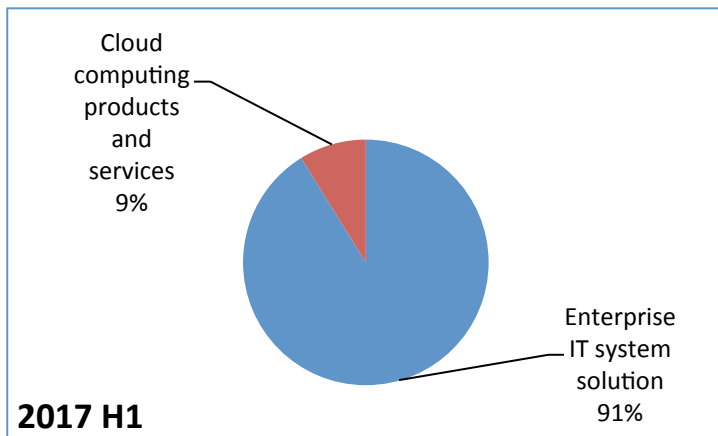
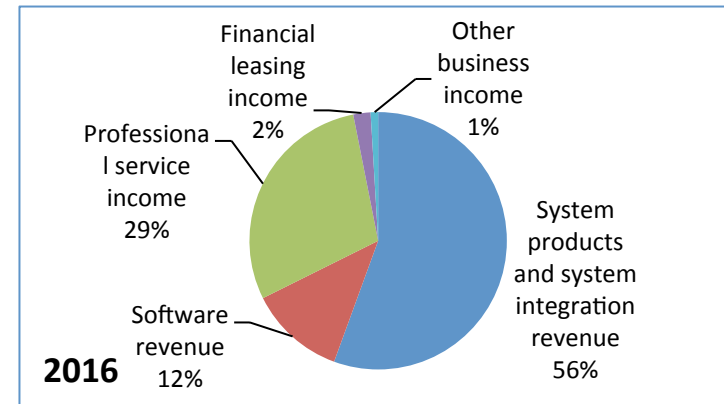
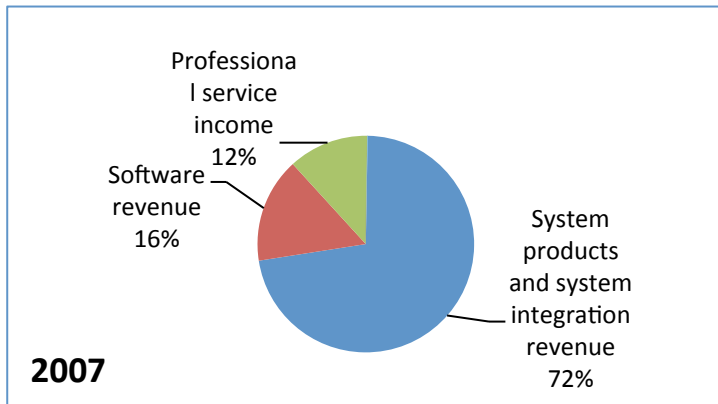
Company profile – Brief introduction

- TEAMSUN is domestic leading integrated IT service provider, service network covering the Greater China region and Southeast Asia;
- 2007-2016 years, the company realized CAGR 8.82% revenue;
- 2013-2016 years, the company realized net profit of CAGR 28.07%;
- With the artificial intelligence, Internet related products and technologies into the outbreak, the company from product agent to autonomous "cloud products + cloud solutions", the transformation of a full range of cloud services.



Company profile -- continuously optimized business structure

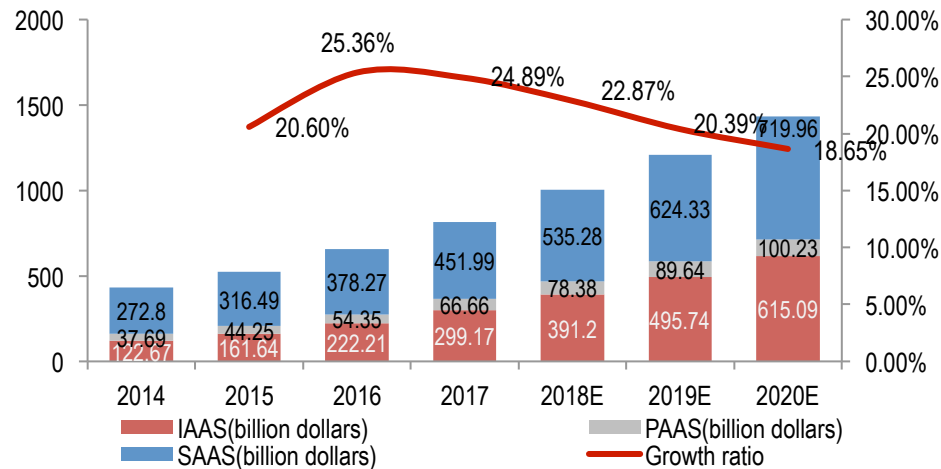
- The main business diversification: higher gross profit rate of professional services revenue increase, help to improve the company's operating performance; software revenue accounted for little change. The gross profit margin of system integration service is low, and the proportion is lower.
- Adhere to the strategic positioning of "big data and integrated service providers based on high-end computing system software and hardware products". 2017 H1 report shows that compared to 2016, IT business accounted for a slight decline, maintain steady growth in the relative income scale. Cloud computing products have high gross profit margins, accounting for an increase.



Industry analysis

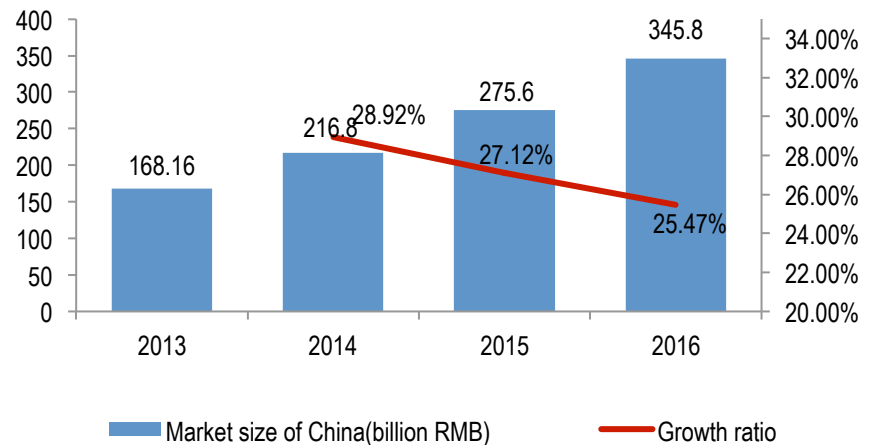
Steady development of global cloud computing

In 2015, the typical cloud service market represented by IaaS, PaaS and SaaS reached 52 billion 240 million US dollars, with a growth rate of 20.6%. It is expected to reach 143 billion 530 million US dollars in 2020, with an annual compound growth rate of 22%.



Rapid development of domestic cloud computing market

In 2015, China's cloud computing overall market scale reached 37 billion 800 million RMB, the overall growth rate of 31.7%. The private cloud market scale of 27 billion 560 million yuan, the annual growth rate of 27.1%.



Policy support

2015 is the year of centralized cloud computing policy in china. The macro policy environment of cloud computing industry development, industry promotion, application foundation, safety management and other important links have basically formed.

- (1) in January 2015, the State Council opinions on promoting the innovation and development of cloud computing and cultivating new formats of information industry.
- (2) opinions on strengthening the safety management of cloud computing service network in the party and government departments in May 2015.
- (3) in July 2015, the "guiding opinions of the State Council on promoting" Internet plus "action"
- (4) action outline for promoting big data development in August 2015.

Competitive Advantages

leading technology

Form the R&D layout of China, Silicon Valley and Eastern Europe.

Industry service advantage

Gain the trust of telecommunications operators, government, finance, energy, Internet etc.

Brand

Acquire “the senior level qualification of Computer Information System integration enterprises” granted by MMIT.

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Systematic product

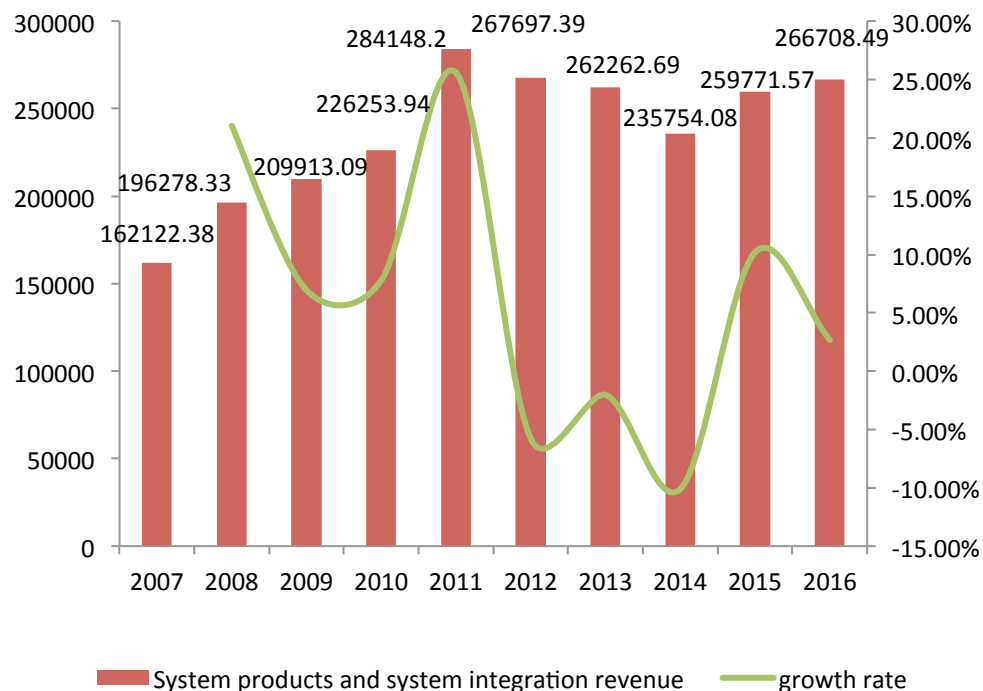
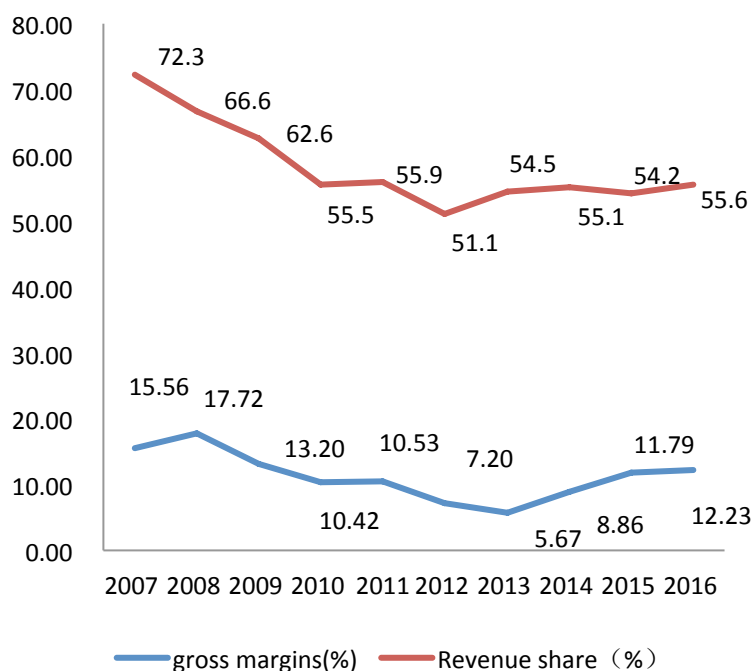
- launch high-end computing system products such as servers, storage, databases .
- Form a series of One-stop service that is "self-controllable, trusted, efficient".

Internationalization

Form a business territory with headquarters in Beijing, covering major cities of China and Hong Kong, Macao, Southeast Asia, North America and Eastern Europe.

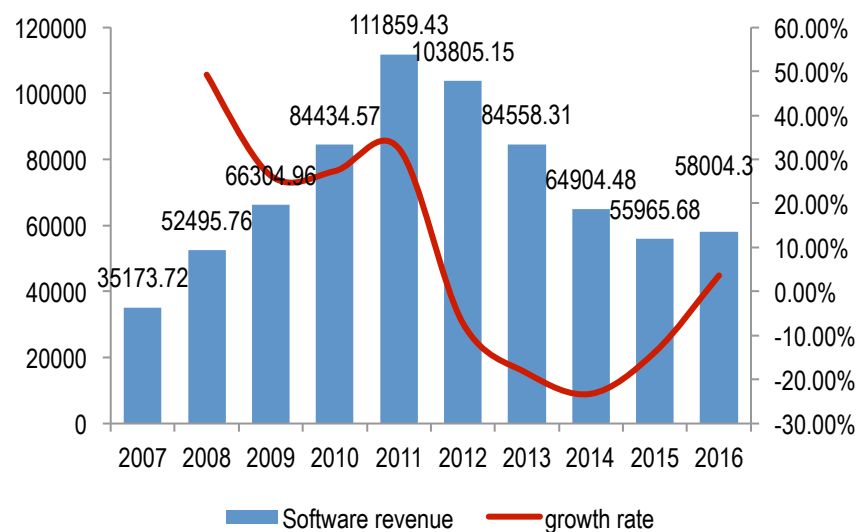
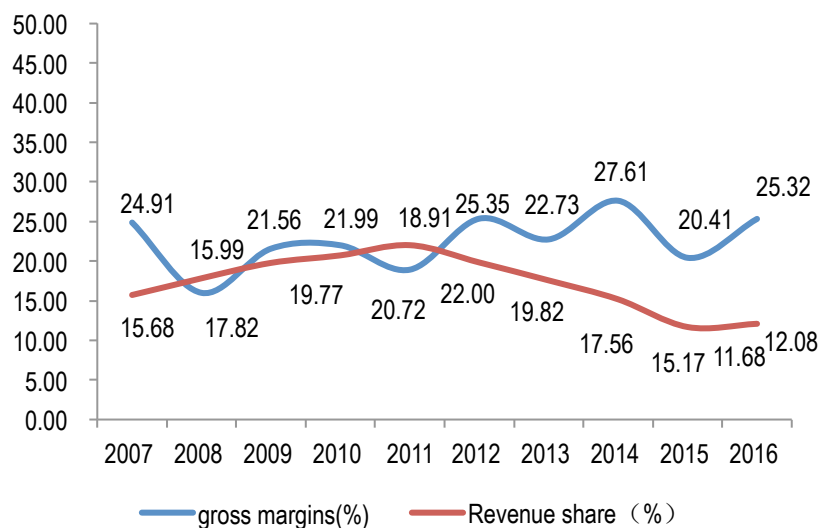
Business brief introduction

System product and system integration. It covers the integration of server, storage, network platform, system integration, database, middleware, security system and other application systems. The income has been in the main business of the company occupies the main position, the gross profit margin relative to other business is low, the contribution rate of income is declining. Revenue achieved 2 billion 670 million RMB in 2016, an increase of 2.67%, the scale of a steady development.



Business brief introduction

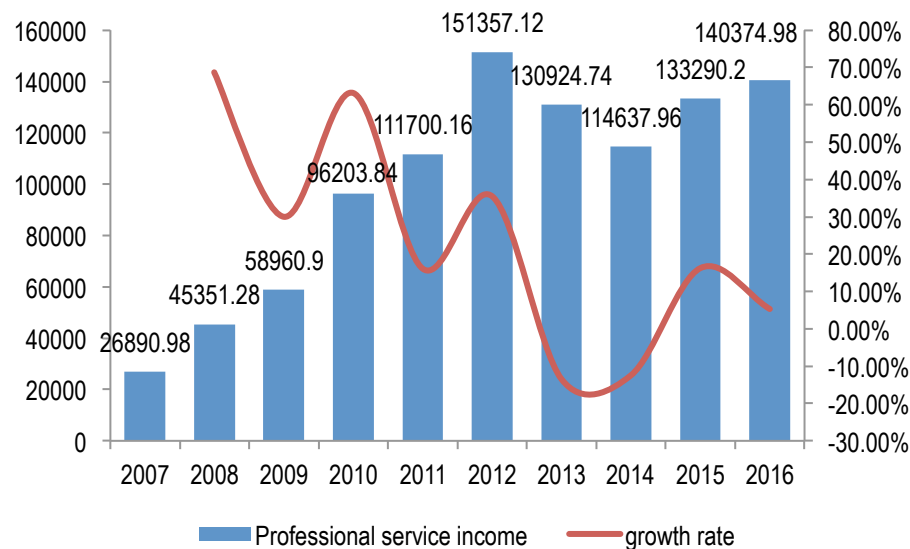
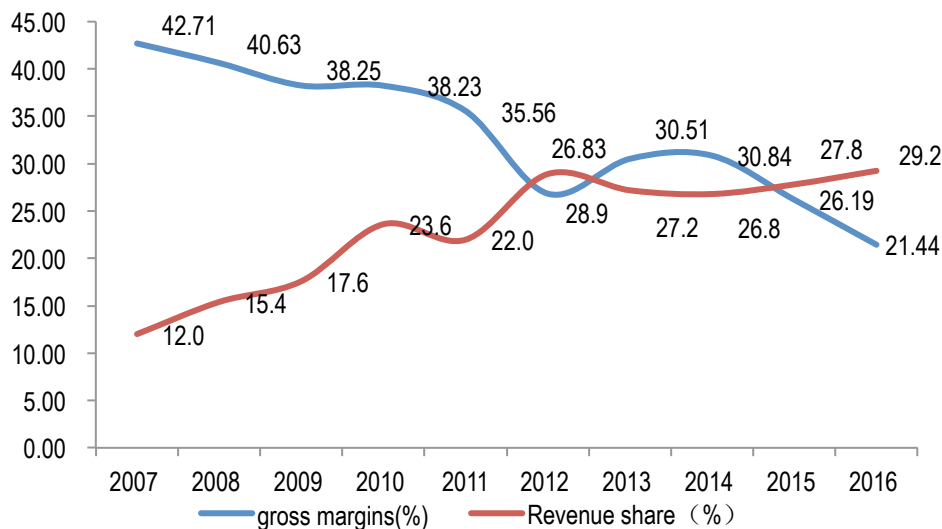
Software and software development, including high-end computing system products, cloud computing architecture products, big data products and virtualization systems, desktop cloud solutions. The income gross profit margin is relatively high, in the company's main business income accounted for relatively stable, in recent years, a slight decline. 2016 revenue of 580 million RMB, an increase of 3.64%. Benefit from the company's large, high-end customized application software gradually favored by the market.



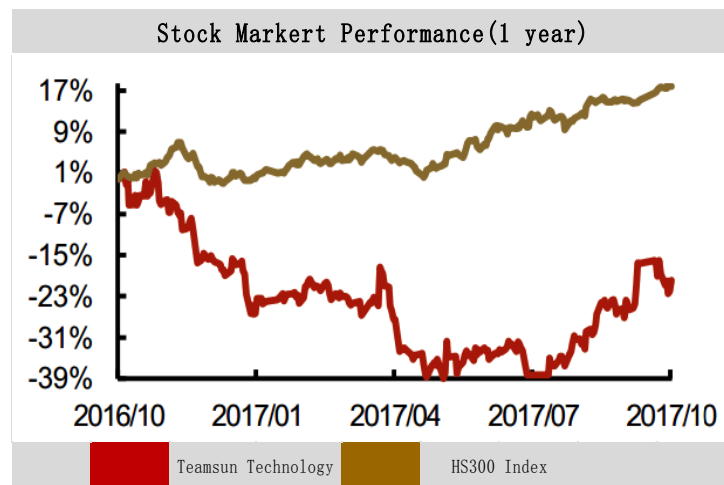
Business brief introduction

- **Professional services** include maintenance services and equipment IT system covering cloud computing solutions, IT system integration, green smart data center services, professional services.
- The income gross profit margin is relatively high, but the overall downward trend; in the company's main business income accounted for the rising proportion, has become the second major business.

- During the reporting period, the company of professional services revenues billion, an increase of 5.32%, mainly due to a subsidiary of the ASL services revenue growth of 51 million 300 thousand. The ASL company with the most advanced security technology, to provide cloud computing, mobile solutions and data intelligence as the core technology for customers in aerospace, medical and other industries to achieve significant growth in revenue service.



Earnings forecasts and valuation



- In the steady development of IT system based on company independent products and solutions to further strengthen the market competitiveness, at the same time the company through investment in networking chip manufacturers to explore the "Tai Ling microelectronics networking + big data" new business model, the "three carriages" boost the performance of rapid growth, prospects can be expected.
- Operating income is expected 2017-2019 years respectively 52.35/59.37/68.67 billion RMB, respectively, an increase of 9.1%/13.4%/15.7%. 2017-2019 net profit of 2.05/2.12/3.08 billion RMB, respectively, an increase of 472.4%/3.5%/45.4%. 2017~2019 earnings per share 0.19/0.19/0.28 RMB, corresponding to earnings ratio were 50.9/49.1/33.8 times. To "overweight" rating.

Conclusion

Teamsun Technology

As a China's leading integrated IT service provide, Teamsun Technology is the first domestic localized IT service provider with service network across China and Southeast Asia. In 2016 annual report, the revenue was RMB 4.8bn (+0.15% YoY), and the net profit was RMB 35.8mil.

Trends

The first three quarter report shows that, the revenue is RMB 3.95bn (+25.18% YoY), and the net profit is RMB 189mil (+650.01% YoY). Traditional IT service keeps increasing and makes RMB 3.49bn (+15.11% YoY) revenue. The cloud computing service jumps the revenue to RMB 418mil (+395.46% YoY), due to acquired Grid Dynamics International company (American fast-growing IT service provider) and self-owned cloud computing production entering fast track stage (especially Power service contracts increased 80%).

The company still expand high technology productions. The Grid Dynamics can enhance oversea cloud computing and big data service. The acquisition of Telink Semiconductor company can help company to build the link between big data and home applications.

Forecast

We forecast that the annual revenue will reach RMB 6.18bn with RMB 133mil for net profit. We maintain BUY rating, and the target price is RMB 12.91 (49.6x 2017e P/E).

Risk

New competitor; services misses expectation.