

Premium China Funds saddles up to e-bike advantage

30 October 2019

For Immediate release

Not unlike the Melbourne Cup, identifying stayers early has become the name of the game as investors seek to deal with the increasingly complex environment generated by the continuing US/China trade dispute.

While there has been plenty of focus on technology and internet opportunities in China, for Premium China Funds Management the opportunity comes in the form of a bicycle manufacturer which has not only secured a substantial market share but which is become leader in a key sector of that market – e-bikes.

The company is well-known to mountain bike enthusiasts but less well-known to investors. It is Merida, a manufacturer which has been going toe-to-toe with the iconic Taiwanese-based Giant brand but which has gained a significant edge in e-bikes. More to the point, it has manufacturing facilities in both China and Taiwan.

For Premium China Funds Management (PCFM), the attraction of Merida lies in its early mover status with respect to e-bikes manufacturer, in circumstances where e-bikes represent one of the fastest-growing segments in the market.

PCFM's executive director and Chief Investment Specialist, Jonathan Wu said the Merida investment was indicative of the value of his firm's investment research ethos and consequent understanding of some of the most innovative companies operating in China.

"At first, bicycle manufacturing might look like a saturated sector, but technology is once again the key differentiator," he said.

"The background of Merida Industry Co is it manufactures bicycle, focusing on mid- to high-end models and while the traditional bike industry is saturated and subject to fierce pricing competition, Merida has the edge with respect to e-bikes.

"Compared with its major peer Giant, Merida is an early mover in e-bikes with around 20% sales exposure now. We like its e-bike story and expect the company to show nice margin expansions under this e-bike uptrend because:

- E-bike sales volume expanded at 5% CAGR over 2015-18 and average selling price recorded more than 2 times that of the conventional bikes.
- Merida has its own brand and also owns 35% of a high-end bicycles company called "specialized" which is a global leading high-end bicycles brand.
- Merida has its own R&D capability, where they have set up a team in Germany for product design (ie. The shape of the bicycle rack, weights and material etc all affect the efficiency of the bike). Because it owns "specialized", it has first hand information with regards to customer feedback.

Wu said that, as well, Merida is less impacted from the trade war because all of their exports to US are produced in Taiwan.

ABOUT PREMIUM CHINA FUNDS MANAGEMENT

Premium China Funds Management (PCFM) is a boutique funds management group providing specialist Asian equity and fixed-income funds to both Australian and New Zealand investors.

Capturing the growing economies and influence of emerging Asia, PCFM has developed 4 actively managed funds - the Premium China Fund, Premium Asia Fund, Premium Asia Property Fund and Premium Asia Income Fund.

The funds are managed by a large and experienced team with offices in Hong Kong, Shanghai, Singapore and Kuala Lumpur. The directors and investment managers of Premium and its fund offerings have extensive knowledge in Asian equity and credit markets, wealth management, and other financial services.

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