

# Asia Investing Report



Beijing-Shanghai High-Speed Railway (BSHSR)  
(SHG: 601816) Market cap. CNY 226.38 bn



京沪高速铁路股份有限公司  
BEIJING-SHANGHAI HIGH SPEED RAILWAY CO., LTD.



## Company Description & Key Segments Overview

Beijing-Shanghai High-Speed Railway (BSHSR) Co., Ltd. (601816) engages in the investment, construction and operation of the Beijing-Shanghai high-speed railway and the stations.

The company operates through 2 segments: Network Service (over 60% of business) and Passenger Transport (less than 40% of business). The Passenger Transport segment (also called Mainline operated by the company itself) provides high-speed rail transport services directly to passengers travelling on the high-speed railway. The Network Service segment provides line usage and network access to other route operators and charges fares for these services.

As a national strategic major transportation project and main corridor of the "eight vertical and eight horizontal" high-speed railway network, the opening and operation of the Beijing-Shanghai high-speed railway (BSHSR) is of great significance in improving China's comprehensive transportation system, fundamentally reducing the passenger traffic pressure between Beijing and Shanghai, accelerating the flow of people, logistics, information and capital in the "Beijing-Tianjin-Hebei" and "Yangtze River Delta" economic zones and along the routes, promoting the coordinated development of regional economy and society.

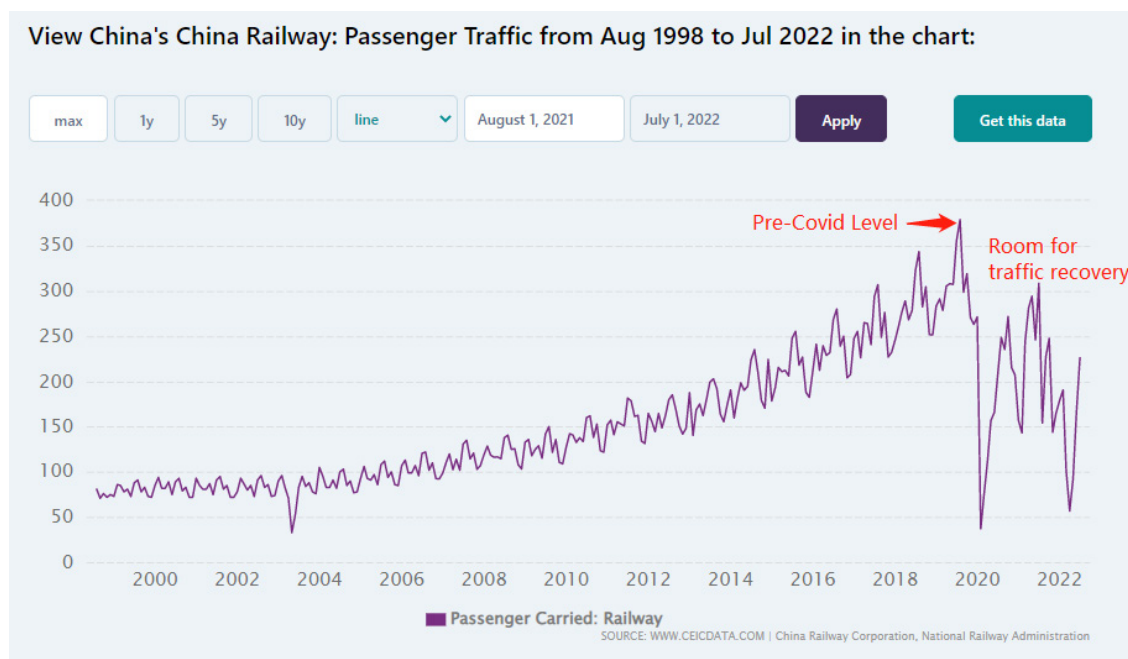
The Beijing-Shanghai route (Rail or Air) is one of the most profitable travel routes in China and BSHSR has a dominant market share in the rail transport segment.



## Investment Thesis

### Reopening play and the worst is in the price:

1. Railway passenger traffic took a hit from Covid restrictions in Q2 2022 (especially Shanghai and Beijing) and has been recovering quickly both nationwide and in Shanghai with plenty of room for recovery compared to the pre-covid level in 2019;
2. Despite a slower-than-expected domestic reopening over the last 2 years, we see railway traffic recovery as a certain trend, which could support BSHSR's earnings.
3. Different from some views that see no visibility of reopening near term, we believe the "Dynamic-zero" strategy for Covid will gradually shift after the 20th National Congress of the Chinese Communist Party (mid-October), or more conservatively early Q1 2023 (after the potential winter flu impact – taking into consideration Australia's winter experience).





## Investment Thesis

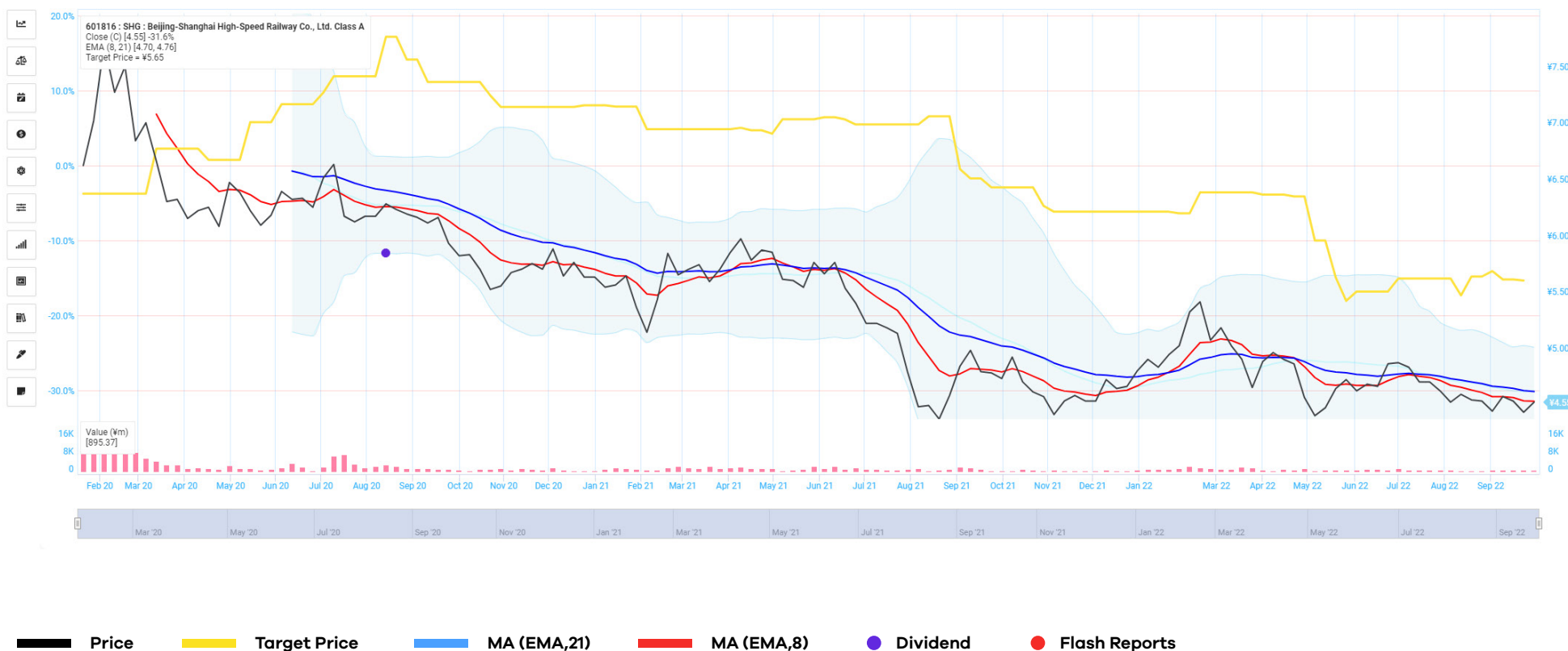
**Network effect kicks in, bringing more convenience and better utilization:** In the railway sector, access to new lines along the route will bring new feeder traffic or transit traffic, benefitting existing lines and improving passenger seating capacity and line revenue. As one of the core trunk lines of China's high-speed railway network, the Beijing-Shanghai high-speed railway connects the Yangtze River Delta and Beijing-Tianjin-Hebei, two major population and economy city clusters, as well as with other trunk lines, branch lines and intercity railways in the network. As the road network structure continues to be optimised, the network effect will stimulate steady growth in high-speed rail passenger traffic.

**Contribution to energy efficiency and less carbon emission:** A higher proportion of railway traffic is essential in achieving carbon peak and carbon neutrality for the transport industry. Taking 2019 (pre-Covid) as an example, The Beijing-Shanghai high-speed railway is responsible for 51% of the passenger turnover in the Beijing-Shanghai corridor, but only consumes 13% of the energy. To complete the same amount of transport turnover, the energy consumption of the Beijing-Shanghai high-speed railway is 14% and 11.4% of that of highway and air transport, and the carbon emission intensity is 37.9% and 30% of that of road and air transport.





## Company Performance and Financials



Source: HALO Technologies dated 30 September 2022.



## Catalysts

- 1) Easing Covid restrictions after the 20th National Congress of the Chinese Communist Party.
- 2) Stronger travel demand.
- 3) More price hikes/further progress on pricing reform.
- 4) Capacity expansion to enhance long-term growth potential.

## Downside Risks

Worse-than-expected HSR pax traffic amid macro uncertainties; lower-than-expected capacity expansion; less-than-expected price hike, especially for shorter-distance tickets.

## ANALYST VIEW

● 17 Buys ● 0 Holds ● 1 Sell

**Average price target: CNY 5.71**



## Contact us



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