

WH Group (288 HK)

4Q19 momentum continued and a positive 2020

We hosted investors' meeting recently. 4Q19 China and US fresh pork segments profit were strong. We estimate 4Q19E OP could jump 72% (vs +55% in 3Q19). We think FY19E dividend payout could increase from 36% in FY18 on record high NP. Management expects NP to increase YoY in FY20E led by US market. Tariffs exclusion is a potential big catalyst. Maintain BUY and raised TP from HK\$9.60 to HK\$10.80 on 6-8% earnings upgrade and rolled forward valuation. Our FY19/20E NP is 11%/5% above consensus.

- **Expect 117% US OP growth in 4Q19E.** (1) **Fresh pork:** OP/head notably increased YoY driven by widened price spread between pork and hog price. (2) **Hog production:** though the business was loss-making due to seasonal low hog price, the segment remained profitable due to hedging gains. (3) **Packaged meat:** segment would see stable growth on better product mix.
- **Anticipate 20% China OP growth in 4Q19E.** (1) **Packaged meat:** the Company raised ASP by a total 10% in Oct and Nov to increase OP/tonne YoY (but less than 3Q19) amid surge of hog price. Sales volume was stable YoY. (2) **Fresh pork:** Average daily processing volume fell from ~30,000 head/day in 3Q19 to >20,000 head/day in 4Q19E due to hog shortage. However, segment OP would grow strongly YoY thanks to more sales of frozen pork and high pork price.
- **FY20E outlook.** Management expects NP would rise in FY20E led by US market while China market is challenging. Tyson Foods and JBS (top 2 and 3 US pork producers) will increase pork export to China in 2020 after removing ractopamine from their hog farms in 2H19. US hog and pork prices are expected to increase driven by more export. In China, fresh pork profitability would remain good in 1Q20E. FY20 OP would decrease after an exceptional FY19 as a result of falling hog processing volume and rising frozen pork cost. Packaged meat ASP could be increased to keep stable OP of RMB2,800-3,000/tonne. Management believes hog price could reach high level around CNY holiday and soften in 2H on recovering hog supply.
- **Tariffs exclusion a potential big catalyst.** The Company expects "positive" results from the applications of 25% tariffs exclusion. If approved by government, the pork price spread between China and US could narrow, this would be positive for WH's China and US business. Also, the tariffs returned could be booked as profit.
- **Lifted TP to HK\$10.80.** We upped our FY19-21E adjusted net profit by 6-8% mainly to factor in better fresh pork margins in US and China. Our SOTP-based TP is lifted from HK\$9.60 to HK\$10.80 as we rolled forward valuation basis, representing 15.3x FY20E P/E (vs 14.7x FY19E P/E previously). **Catalyst:** China approves tariff exclusion, reduces tariff or sharply increases import from US. **Risk:** Packaged meat and fresh pork margins below expectation.

Earnings Summary

| (YE 31 Dec) | FY17A | FY18A | FY19E | FY20E | FY21E |
|---------------------------|--------|--------|--------|--------|--------|
| Revenue (US\$ mn) | 22,379 | 22,605 | 24,340 | 25,958 | 26,726 |
| Net profit (US\$ mn) | 1,127 | 1,047 | 1,323 | 1,433 | 1,443 |
| Adj. net profit (US\$ mn) | 1,090 | 1,046 | 1,323 | 1,433 | 1,443 |
| Adj. EPS (US\$) | 0.075 | 0.071 | 0.090 | 0.097 | 0.098 |
| YoY growth (%) | 1.0 | (4.9) | 26.3 | 8.2 | 0.7 |
| Adj. P/E (x) | 14.9 | 15.6 | 12.4 | 11.5 | 11.4 |
| P/B (x) | 2.2 | 2.1 | 1.9 | 1.7 | 1.6 |
| Yield (%) | 3.1% | 2.3% | 3.6% | 3.9% | 3.9% |
| Adj. ROAE (%) | 15.8 | 13.8 | 16.1 | 15.7 | 14.5 |
| Net gearing (%) | 22 | 30 | 27 | 15 | 6 |

Source: Company data, CMBIS estimates

BUY (Maintain)

| | |
|---------------|-----------|
| Target Price | HK\$10.80 |
| (Previous TP | HK\$9.60) |
| Up/Downside | +24% |
| Current Price | HK\$8.73 |

China Staples Sector

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Stock Data

| | |
|--------------------------|------------|
| Mkt Cap (HK\$ mn) | 128,512 |
| Avg 3 mths t/o (HK\$ mn) | 369.36 |
| 52w High/Low (HK\$) | 9.95/ 6.00 |
| Total Issued Shares (mn) | 14,720.8 |

Source: Bloomberg

Shareholding Structure

| | |
|------------|--------|
| Rise Grand | 35.94% |
|------------|--------|

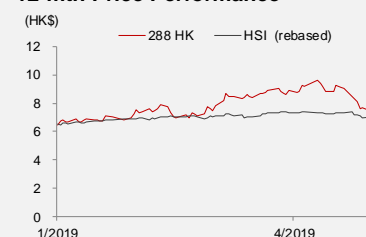
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 10.0% | 2.1% |
| 3-mth | 24.5% | 12.0% |
| 6-mth | 16.0% | 14.2% |

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: EY

Related Reports

1. "WH Group – 3Q19 NP +79%, China's packaged meat and fresh pork margins could continue in 4Q19E" – 29 Oct 2019
2. "WH Group – NDR takeaways; China market is improving in 3Q19E" – 25 Sep 2019
3. "WH Group – US hog futures rallied as trade tensions ease" – 14 Sep 2019
4. "WH Group – Expect a better 2H19" – 14 Aug 2019
5. "WH Group – 1H19 preview; expect a better 2H19" – 24 Jul 2019
6. "WH Group – US ham price up after Mexico dropped tariff" – 24 May 2019

Figure 1: Earnings revision

| US\$ mn | New | | | Old | | | Diff (%) | | |
|------------------|--------|--------|--------|--------|--------|--------|----------|---------|---------|
| | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E |
| Revenue | 24,340 | 25,958 | 26,726 | 24,100 | 24,697 | 24,877 | 1% | 5% | 7% |
| Gross Profit | 4,927 | 5,288 | 5,511 | 4,596 | 4,942 | 5,013 | 7% | 7% | 10% |
| Operating Profit | 2,133 | 2,297 | 2,330 | 2,000 | 2,135 | 2,194 | 7% | 8% | 6% |
| Adj. net profit | 1,323 | 1,433 | 1,443 | 1,231 | 1,325 | 1,356 | 7% | 8% | 6% |
| Gross Margin | 20.2% | 20.4% | 20.6% | 19.1% | 20.0% | 20.1% | +1.1ppt | +0.4ppt | +0.5ppt |
| Operating Margin | 8.8% | 8.8% | 8.7% | 8.3% | 8.6% | 8.8% | +0.5ppt | +0.1ppt | -0.2ppt |
| Net Margin | 5.4% | 5.5% | 5.4% | 5.1% | 5.4% | 5.5% | +0.3ppt | flat | -0.2ppt |

Source: Company data, CMBIS estimates

Figure 2: CMBI estimates vs consensus

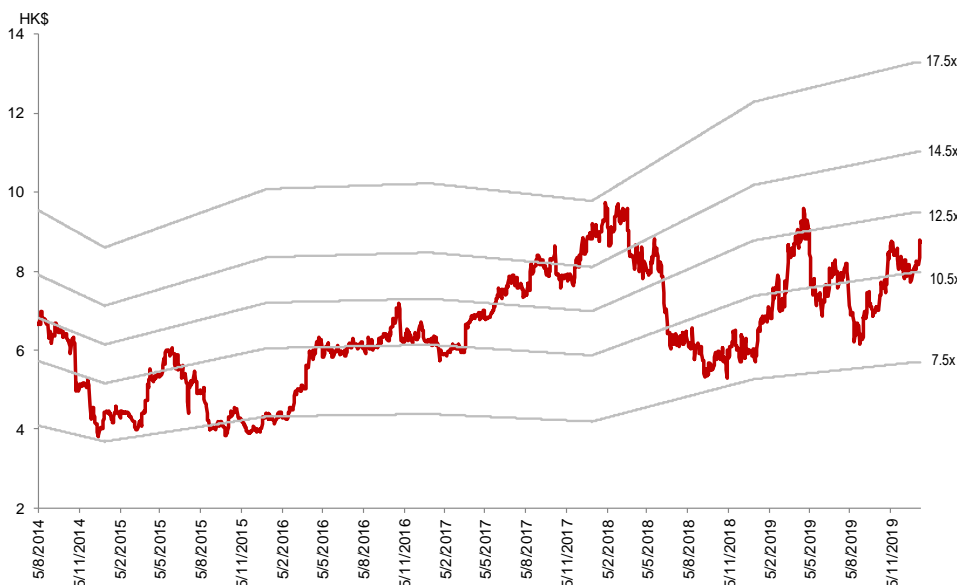
| US\$ mn | CMBI | | | Consensus | | | Diff (%) | | |
|------------------|--------|--------|--------|-----------|--------|--------|----------|---------|---------|
| | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E |
| Revenue | 24,340 | 25,958 | 26,726 | 23,883 | 25,445 | 26,046 | 2% | 2% | 3% |
| Gross Profit | 4,927 | 5,288 | 5,511 | 4,774 | 5,156 | 5,375 | 3% | 3% | 3% |
| Operating Profit | 2,133 | 2,297 | 2,330 | 1,926 | 2,106 | 2,249 | 11% | 9% | 4% |
| Net profit | 1,323 | 1,433 | 1,443 | 1,195 | 1,367 | 1,453 | 11% | 5% | -1% |
| Gross Margin | 20.2% | 20.4% | 20.6% | 20.0% | 20.3% | 20.6% | +0.2ppt | +0.1ppt | flat |
| Operating Margin | 8.8% | 8.8% | 8.7% | 8.1% | 8.3% | 8.6% | +0.7ppt | +0.5ppt | +0.1ppt |
| Net Margin | 5.4% | 5.5% | 5.4% | 5.0% | 5.4% | 5.6% | +0.4ppt | +0.1ppt | -0.2ppt |

Source: Bloomberg, CMBIS estimates

Figure 3: SOTP-based valuation

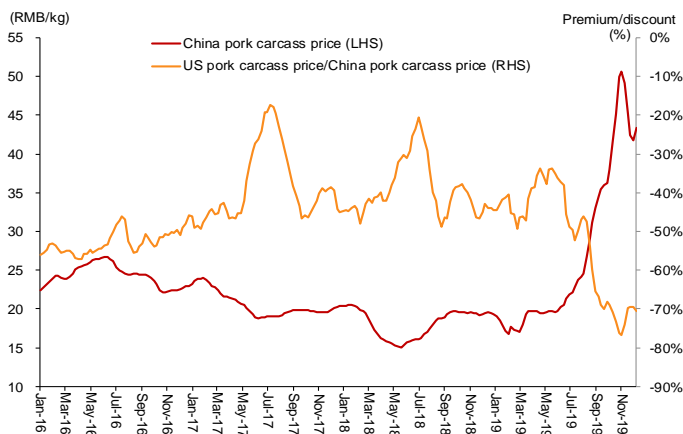
| Segment | FY20 P/E | FY20E net profit (US\$mn) | Valuation (US\$mn) | Remarks |
|------------------------|----------|---------------------------|--------------------|--|
| US & Europe businesses | 12.0 | 899.3 | 10,792 | 12x FY20E P/E |
| China business | 17.8 | 534.1 | 9,507 | 30% discount on HK listed peers' average 25.5x FY20E P/E |
| Total | | | 20,299 | |
| Value per share (HK\$) | | | 10.8 | |
| Implied FY20E P/E | | | 15.3 | |

Source: Company data, Bloomberg, CMBIS estimates

Figure 4: P/E band

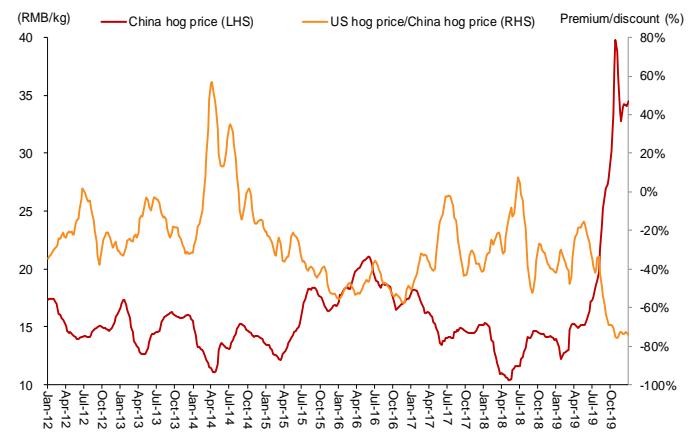
Source: Bloomberg, Company data, CMBIS estimates

Figure 5: The discount of US pork carcass price to China's was 71% on 8 Dec 2019



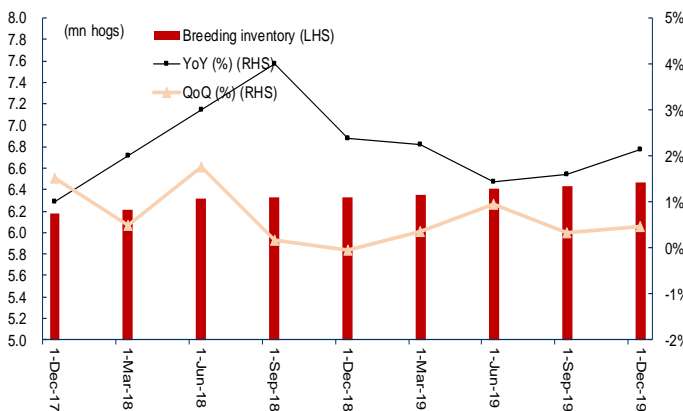
Source: Bloomberg, CMBIS

Figure 6: The discount of US hog price to China's widened to 74% on 1 Jan 2020



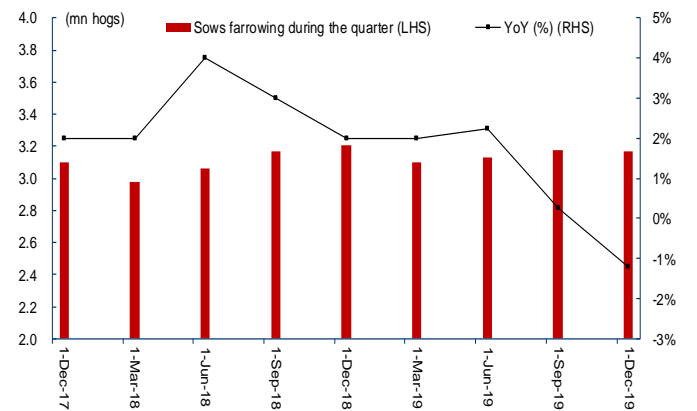
Source: Bloomberg, CMBIS

Figure 7: Growth of US breeding hog inventory was 2% in the quarter ended 1 Dec 2019



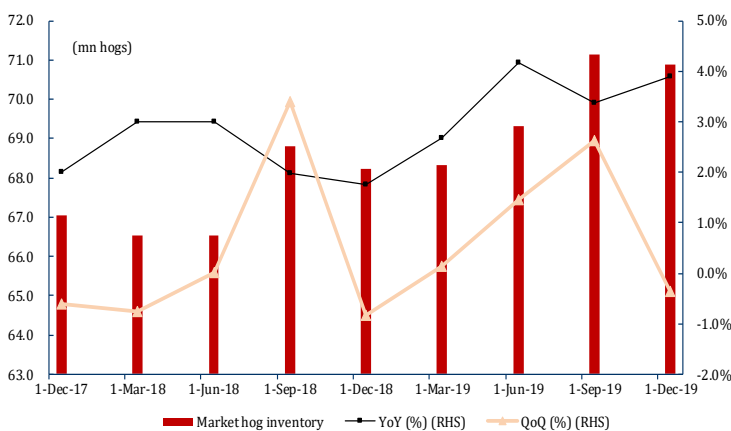
Source: USDA, CMBIS

Figure 8: Number of sows farrowing during the quarter ended 1 Dec 2019 fell 1%



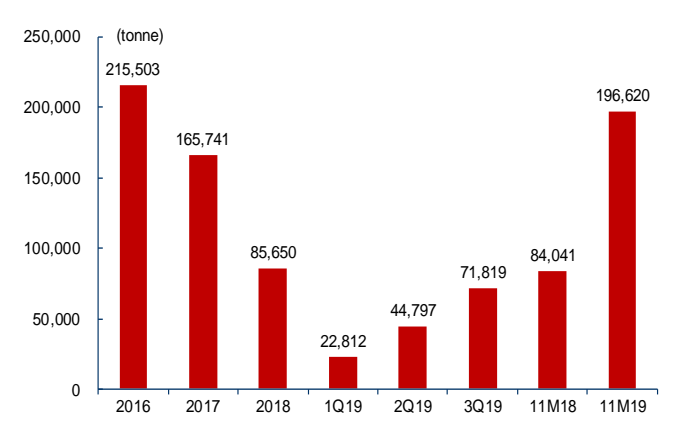
Source: USDA, CMBIS

Figure 9: Growth of US total hog inventory was 3% in the quarter ended 1 Dec 2019



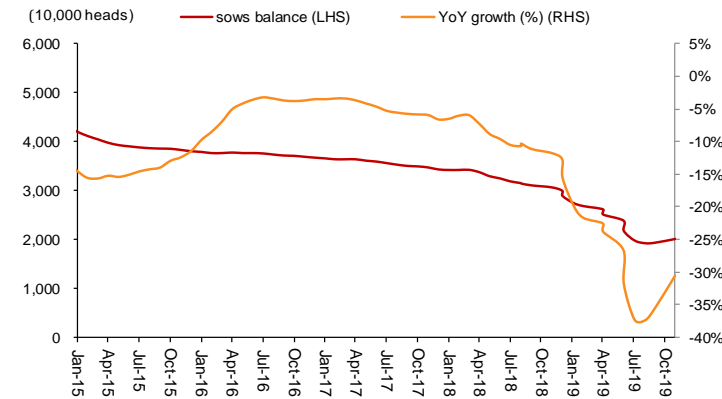
Source: USDA, CMBIS

Figure 10: China's pork import volume from US jumped 134% in 11M19



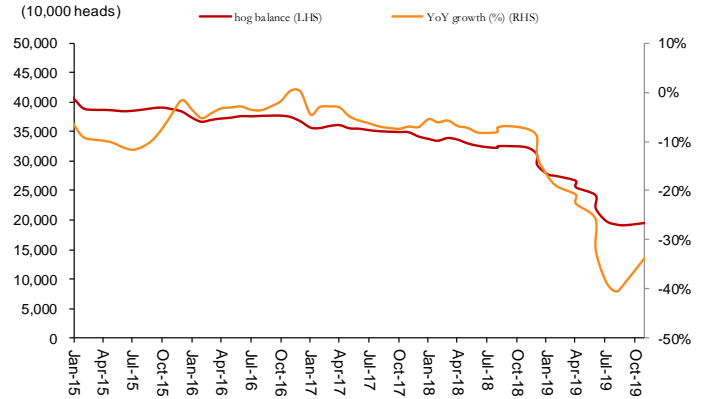
Source: WIND

Figure 11: Sows balance decline in China narrowed to 31% YoY in Nov 2019



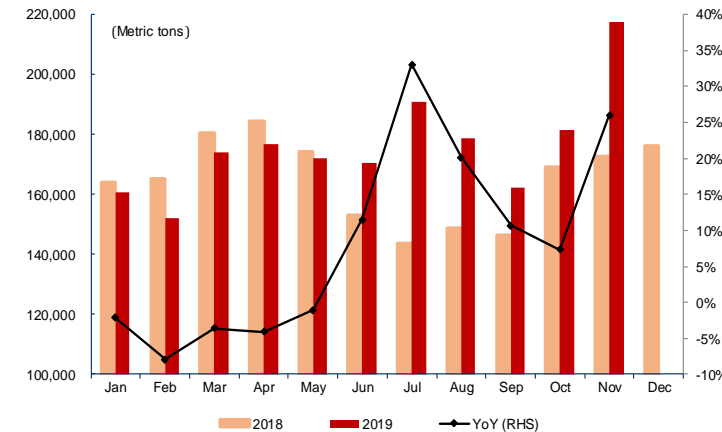
Source: WIND, CMBIS

Figure 12: Hogs balance decline in China narrowed to 34% YoY in Nov 2019



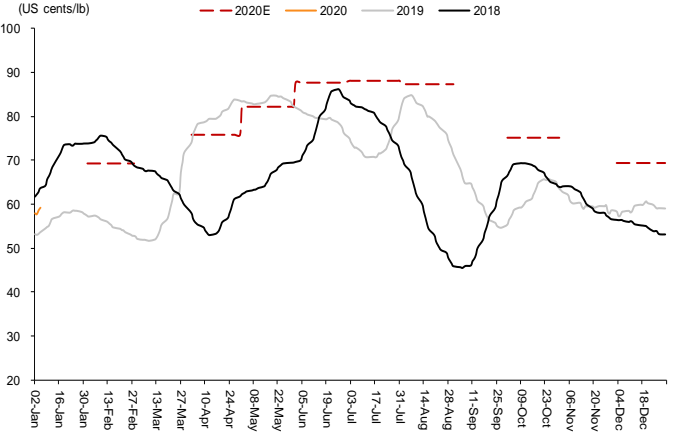
Source: WIND, CMBIS

Figure 13: US total pork export volume growth accelerated to 26% in Nov 2019, driven by China market

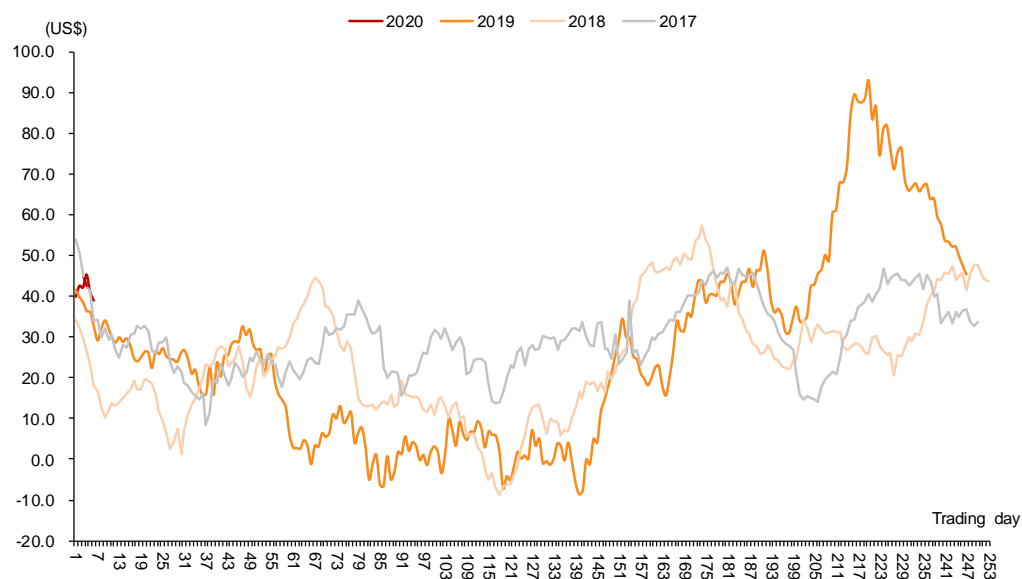


Source: US meat export federation

Figure 14: 2020E US hog futures prices are trading above 2019 hog price



Source: Bloomberg, CMBIS estimates

Figure 15: US pork packers enjoyed very good margins in 4Q19

Source: Bloomberg, CMBIS

Figure 16: US pork carcass cutout value to hog price ratio was high in 4Q19

Source: Bloomberg, CMBIS estimates

Figure 17: Major assumptions for US market

| (US\$mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Packaged meat segment | | | | | |
| External revenue | 7,807 | 7,773 | 7,962 | 8,322 | 8,321 |
| growth % | 9.6% | -0.4% | 2.4% | 4.5% | 0.0% |
| Sales volume (mn metric tons) | 1.45 | 1.46 | 1.45 | 1.46 | 1.47 |
| growth % | 3.3% | 0.9% | -0.5% | 0.5% | 1.0% |
| ASP (US\$/ton) | 5,395 | 5,324 | 5,484 | 5,703 | 5,646 |
| growth % | 6.1% | -1.3% | 3.0% | 4.0% | -1.0% |
| OP margin | 9.3% | 10.1% | 10.6% | 10.9% | 11.2% |
| Fresh pork segment | | | | | |
| External revenue | 4,961 | 4,790 | 5,255 | 6,196 | 5,970 |
| growth % | 11.7% | -3.4% | 9.7% | 17.9% | -3.6% |
| Hog processed (mn heads) | 34.43 | 33.95 | 34.62 | 35.32 | 36.02 |
| growth % | 8.0% | -1.4% | 2.0% | 2.0% | 2.0% |
| OP/head (US\$) | 12.6 | 1.4 | 4.2 | 5.0 | 5.0 |
| Hog production segment | | | | | |
| External revenue | 510 | 619 | 666 | 782 | 749 |
| growth % | -35.8% | 21.4% | 7.6% | 17.3% | -4.1% |
| Hog produced (mn heads) | 16.38 | 16.47 | 17.13 | 17.47 | 17.82 |
| growth % | 4.8% | 0.5% | 4.0% | 2.0% | 2.0% |
| OP/head (US\$) | (4.2) | (8.9) | 3.3 | 15.0 | 8.5 |
| Total external revenue | 13,278 | 13,182 | 13,883 | 15,300 | 15,041 |
| Packaged meat | 7,807 | 7,773 | 7,962 | 8,322 | 8,321 |
| Fresh pork | 4,961 | 4,790 | 5,255 | 6,196 | 5,970 |
| Hog production | 510 | 619 | 666 | 782 | 749 |
| Segment profit | 923 | 615 | 954 | 1,245 | 1,154 |
| growth % | 3.9% | -33.4% | 55.1% | 30.5% | -7.3% |
| Packaged meat | 726 | 785 | 844 | 908 | 932 |
| Fresh pork | 433 | 48 | 145 | 177 | 180 |
| Hog production | (68) | (147) | 57 | 262 | 151 |
| Others | (168) | (71) | (92) | (102) | (110) |
| Segment profit margin | 7.0% | 4.7% | 6.9% | 8.1% | 7.7% |

Source: Company data, CMBIS estimates

Figure 18: Major assumptions for China market

| (US\$mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|-------------------------------|---------------|--------------|--------------|---------------|--------------|
| Packaged meat segment | | | | | |
| External revenue | 3,312 | 3,458 | 3,614 | 4,088 | 4,170 |
| growth % | -1.0% | 4.4% | 4.5% | 13.1% | 2.0% |
| Sales volume (mn metric tons) | 1.58 | 1.60 | 1.60 | 1.62 | 1.65 |
| growth % | -1.4% | 1.1% | 0.0% | 1.0% | 2.0% |
| ASP (Rmb/ton) | 14,126 | 14,303 | 15,804 | 17,701 | 17,701 |
| growth % | 2.2% | 1.3% | 10.5% | 12.0% | 0.0% |
| OP margin % | 20.9% | 20.6% | 18.1% | 16.3% | 19.5% |
| Fresh pork segment | | | | | |
| External revenue | 3,888 | 3,584 | 4,086 | 3,433 | 4,229 |
| growth % | -7.3% | -7.8% | 14.0% | -16.0% | 23.2% |
| Hog processed (mn heads) | 14.27 | 16.31 | 13.37 | 8.02 | 11.23 |
| growth % | 15.5% | 14.3% | -18.0% | -40.0% | 40.0% |
| OP/head (Rmb) | 48.8 | 72.7 | 145.0 | 80.0 | 50.0 |
| Hog production segment | | | | | |
| External revenue | 11 | 8 | 10 | 7 | 9 |
| growth % | -21.4% | -27.3% | 26.5% | -30.0% | 32.0% |
| Hog produced (mn heads) | 0.31 | 0.29 | 0.27 | 0.13 | 0.20 |
| growth % | 0.0% | -6.1% | -9.0% | -50.0% | 50.0% |
| OP/head (Rmb) | 498.0 | 113.0 | -300.0 | 1000.0 | 400.0 |
| Total external revenue | 7,446 | 7,328 | 8,066 | 7,972 | 8,812 |
| Packaged meat | 3,312 | 3,458 | 3,614 | 4,088 | 4,170 |
| Fresh pork | 3,888 | 3,584 | 4,086 | 3,433 | 4,229 |
| Hog production | 11 | 8 | 10 | 7 | 9 |
| Others | 235 | 278 | 355 | 444 | 404 |
| Segment profit | 525 | 922 | 959 | 827 | 950 |
| growth % | -36.2% | 75.6% | 4.1% | -13.8% | 14.9% |
| Packaged meat | 692 | 712 | 654 | 666 | 813 |
| Fresh pork | 103 | 179 | 277 | 92 | 80 |
| Hog production | 23 | 5 | (11) | 19 | 11 |
| Others | (293) | 26 | 40 | 50 | 45 |
| Segment profit margin | 7.1% | 12.6% | 11.9% | 10.4% | 10.8% |

Source: Company data, CMBIS estimates

Figure 19: Major assumptions for Europe market

| (US\$m) | FY17 | FY18 | FY19E | FY20E | FY21E |
|-------------------------------|--------------|---------------|--------------|--------------|--------------|
| Packaged meat segment | | | | | |
| External revenue | 658 | 916 | 971 | 1,072 | 1,163 |
| growth % | 8.4% | 39.2% | 6.0% | 10.5% | 8.5% |
| Sales volume (mn metric tons) | 0.24 | 0.29 | 0.30 | 0.32 | 0.34 |
| growth % | 11.6% | 18.0% | 6.0% | 6.0% | 6.0% |
| ASP (EUR/ton) | 3,105 | 3,818 | 3,627 | 3,881 | 4,075 |
| growth % | -0.5% | 23.0% | -5.0% | 7.0% | 5.0% |
| OP margin | 2.6% | 5.5% | 5.7% | 6.2% | 6.7% |
| Fresh pork segment | | | | | |
| External revenue | 677 | 762 | 939 | 1,077 | 1,120 |
| growth % | 24.7% | 12.6% | 23.3% | 14.6% | 4.0% |
| Hog processed (mn heads) | 5.09 | 5.83 | 6.70 | 7.37 | 8.11 |
| growth % | 0.6% | 14.6% | 15.0% | 10.0% | 10.0% |
| OP/head (EUR) | 2.5 | 3.9 | -5.0 | -5.0 | -2.0 |
| Hog production segment | | | | | |
| External revenue | 51 | 61 | 72 | 79 | 75 |
| growth % | 41.7% | 19.6% | 17.4% | 10.3% | -4.6% |
| Hog produced (mn heads) | 3.53 | 4.17 | 4.34 | 4.47 | 4.60 |
| growth % | 8.9% | 18.0% | 4.0% | 3.0% | 3.0% |
| OP/head (EUR) | 32.4 | 8.2 | 25.0 | 23.0 | 16.0 |
| Total external revenue | 1,655 | 2,095 | 2,391 | 2,687 | 2,873 |
| Packaged meat | 658 | 916 | 971 | 1,072 | 1,163 |
| Fresh pork | 677 | 762 | 939 | 1,077 | 1,120 |
| Hog production | 51 | 61 | 72 | 79 | 75 |
| Others | 269 | 356 | 409 | 458 | 514 |
| Segment profit | 135 | 113 | 141 | 147 | 147 |
| growth % | 75.3% | -16.3% | 25.1% | 4.2% | -0.4% |
| Packaged meat | 17 | 50 | 55 | 67 | 78 |
| Fresh pork | 11 | 19 | (30) | (32) | (14) |
| Hog production | 101 | 29 | 96 | 89 | 62 |
| Others | 6 | 15 | 20 | 24 | 20 |
| Segment profit margin | 8.2% | 5.4% | 5.9% | 5.5% | 5.1% |

Source: Company data, CMBIS estimates

Financial Summary

Income statement

| YE 31 Dec (US\$ mn) | FY17A | FY18A | FY19E | FY20E | FY21E |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 22,379 | 22,605 | 24,340 | 25,958 | 26,726 |
| China | 7,446 | 7,328 | 8,066 | 7,972 | 8,812 |
| US | 13,278 | 13,182 | 13,883 | 15,300 | 15,041 |
| EUR | 1,655 | 2,095 | 2,391 | 2,687 | 2,873 |
| Cost of sales | (17,766) | (18,103) | (19,413) | (20,669) | (21,216) |
| Gross profit | 4,613 | 4,502 | 4,927 | 5,288 | 5,511 |
| Other income and gains | 113 | 98 | 89 | 93 | 102 |
| SG&A expenses | (2,753) | (2,871) | (2,883) | (3,085) | (3,283) |
| Operating profit | 1,973 | 1,729 | 2,133 | 2,297 | 2,330 |
| Finance cost | (198) | (115) | (140) | (126) | (121) |
| Other expenses | (326) | (74) | (74) | (74) | (74) |
| Other gains/(losses) | 7 | (21) | 0 | 0 | 0 |
| Share of profit of associate | 8 | 8 | 3 | 3 | 4 |
| Share of profit of JV | 14 | 23 | 18 | 20 | 22 |
| Profit before tax | 1,478 | 1,550 | 1,941 | 2,121 | 2,160 |
| Income tax | (165) | (293) | (403) | (461) | (470) |
| Non-controlling interests | (186) | (210) | (215) | (226) | (248) |
| Net profit | 1,127 | 1,047 | 1,323 | 1,433 | 1,443 |
| Adj. net profit | 1,090 | 1,046 | 1,323 | 1,433 | 1,443 |

Cash flow summary

| YE 31 Dec (US\$ mn) | FY17A | FY18A | FY19E | FY20E | FY21E |
|--------------------------------|--------------|----------------|--------------|--------------|----------------|
| Profit before tax | 1,501 | 1,411 | 1,941 | 2,121 | 2,160 |
| Depreciation and amortization | 394 | 441 | 469 | 501 | 514 |
| Change in working capital | (321) | (570) | (737) | 178 | 89 |
| Others | (62) | (27) | (354) | (393) | (441) |
| Net cash from operating | 1,512 | 1,255 | 1,319 | 2,407 | 2,322 |
| Capex & investments | (530) | (811) | (800) | (600) | (600) |
| Interest received | 12 | 6 | 17 | 18 | 26 |
| Others | (266) | (412) | (58) | (57) | (56) |
| Net cash from investing | (784) | (1,217) | (841) | (639) | (630) |
| Change of borrowings | 64 | 4 | 300 | (200) | (400) |
| Dividend paid | (668) | (795) | (447) | (776) | (842) |
| Others | 13 | 1 | 0 | 0 | 0 |
| Net cash from financing | (591) | (790) | (147) | (976) | (1,242) |
| Net change in cash | 137 | (752) | 331 | 792 | 449 |
| Cash at the beginning | 1,123 | 1,279 | 484 | 815 | 1,607 |
| Exchange difference | 19 | (43) | 0 | 0 | 0 |
| Cash at the end | 1,279 | 484 | 815 | 1,607 | 2,056 |
| Bank and cash balance | 1,371 | 525 | 856 | 1,648 | 2,097 |
| Bank overdraft | (92) | (41) | (41) | (41) | (41) |

Balance sheet

| YE 31 Dec (US\$ mn) | FY17A | FY18A | FY19E | FY20E | FY21E |
|--------------------------------|--------------|--------------|---------------|---------------|---------------|
| Non-current assets | 9,592 | 9,838 | 10,191 | 10,313 | 10,425 |
| PPE | 5,037 | 5,300 | 5,644 | 5,756 | 5,855 |
| Goodwill | 3,580 | 3,581 | 3,572 | 3,563 | 3,554 |
| JV/associates | 295 | 352 | 374 | 397 | 423 |
| Others | 680 | 605 | 601 | 597 | 593 |
| Current assets | 5,666 | 5,460 | 6,702 | 7,483 | 7,916 |
| Cash and pledged deposits | 1,440 | 579 | 1,235 | 1,748 | 2,060 |
| Inventory | 1,905 | 2,022 | 2,494 | 2,655 | 2,725 |
| Trade receivables | 989 | 1,135 | 1,222 | 1,303 | 1,342 |
| Others | 1,332 | 1,724 | 1,751 | 1,777 | 1,789 |
| Current liabilities | 3,499 | 3,328 | 3,831 | 3,804 | 3,478 |
| Borrowings | 901 | 860 | 1,210 | 1,010 | 610 |
| Trade payables | 1,076 | 977 | 1,048 | 1,116 | 1,145 |
| Other payables | 1,472 | 1,430 | 1,533 | 1,633 | 1,676 |
| Others | 50 | 61 | 40 | 46 | 47 |
| Non-current liabilities | 3,537 | 3,552 | 3,553 | 3,600 | 3,623 |
| Borrowings | 2,297 | 2,259 | 2,209 | 2,209 | 2,209 |
| Deferred revenue | 601 | 695 | 746 | 793 | 816 |
| Others | 639 | 598 | 598 | 598 | 598 |
| Minority Interest | 777 | 672 | 815 | 861 | 911 |
| Total net assets | 8,222 | 8,418 | 9,509 | 10,392 | 11,241 |
| Shareholders' equity | 7,445 | 7,746 | 8,694 | 9,531 | 10,329 |

Key ratios

| YE 31 Dec | FY17A | FY18A | FY19E | FY20E | FY21E |
|-----------------------------|-------|-------|-------|-------|-------|
| Sales mix (%) | | | | | |
| China | 33.3 | 32.4 | 33.1 | 30.7 | 33.0 |
| US | 59.3 | 58.3 | 57.0 | 58.9 | 56.3 |
| EUR | 7.4 | 9.3 | 9.8 | 10.3 | 10.7 |
| P&L ratios (%) | | | | | |
| Gross profit margin | 20.6 | 19.9 | 20.2 | 20.4 | 20.6 |
| Operating profit margin | 8.8 | 7.6 | 8.8 | 8.8 | 8.7 |
| Net profit margin | 5.0 | 4.6 | 5.4 | 5.5 | 5.4 |
| Adj. net profit margin | 4.9 | 4.6 | 5.4 | 5.5 | 5.4 |
| Payout ratio | 44.7 | 35.8 | 45.0 | 45.0 | 45.0 |
| Balance sheet ratios | | | | | |
| Current ratio (x) | 1.6 | 1.4 | 1.7 | 2.0 | 2.3 |
| Receivables turnover days | 15 | 17 | 18 | 18 | 18 |
| Payables turnover days | 20 | 21 | 19 | 19 | 19 |
| Inventory turnover days | 37 | 40 | 46 | 49 | 46 |
| Asset turnover (x) | 1.5 | 1.5 | 1.4 | 1.5 | 1.5 |
| Net gearing ratio (%) | 22 | 30 | 27 | 15 | 6 |
| Returns (%) | | | | | |
| Adj. ROAE | 15.8 | 13.8 | 16.1 | 15.7 | 14.5 |
| Adj. ROAA | 8.8 | 8.2 | 9.6 | 9.6 | 9.4 |
| Per share data | | | | | |
| Adj. EPS (US\$) | 0.075 | 0.071 | 0.090 | 0.097 | 0.098 |
| DPS (HK\$) | 0.27 | 0.20 | 0.32 | 0.34 | 0.34 |
| BVPS (US\$) | 0.51 | 0.53 | 0.59 | 0.65 | 0.70 |

Source: Company data, CMBIS estimates

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| | |
|------------------|---|
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| HOLD | : Stock with potential return of +15% to -10% over next 12 months |
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| NOT RATED | : Stock is not rated by CMBIS |

| | |
|-----------------------|---|
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| UNDERPERFORM | : Industry expected to underperform the relevant broad market benchmark over next 12 months |

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