

WH Group (288 HK)

3Q19 NP +79%, China's packaged meat and fresh pork margins could continue in 4Q19E

3Q19 net profit surged 79% YoY to US\$357mn (vs -17% YoY in 1H19), driven by turnaround of US hog production and OP margin improvement of China's packaged meat and fresh pork segments. We think 3Q19 NP is better than market expectation (our FY19E NP is 8% above consensus). Management expects China market's high margins of packaged meat and fresh pork in 3Q19 could continue in 4Q19E. US hog production could be profitable in 4Q19E with hedging. Maintain BUY. Our TP is lifted from HK\$9.20 to HK\$9.60, based on 14.7x P/E.

- **US market OP jumped 172% YoY to US\$207mn.** (1) **Hog production:** Thanks to hedging, the segment turned around in 3Q19 with US\$88mn OP (vs 62mn loss in 1H19). (2) **Fresh pork:** the segment had slight loss of US\$5mn (vs US\$17mn OP in 3Q18). (3) **Packaged meat:** segment OP dropped 4% YoY as OP margin slightly narrowed 0.3ppt to 8.6%.
- **China market OP rose 18% YoY to US\$284mn.** (1) **Packaged meat:** though hog price surged, the segment saw 6% OP growth due to use of low-cost pork inventory and 4% price hike for >70% products in July. OPM recovered from 16.4% in 2Q19 to 21.6% in 3Q19 (-0.1ppt YoY). (2) **Fresh pork:** segment OP rocketed 123% YoY as OP per head increased from RMB56 to RMB180. Although hog processed volume fell 28% due to slump of hog balance in China, the sales of low-cost inventory significantly improved OP.
- **4Q19E outlook.** Management expects the high margins of China's fresh pork and packaged meat in 3Q19 could maintain in 4Q19E attributable to price increase in Nov/Dec and use of low-cost inventory. Shuanghui's inventory value further increased 8% QoQ in 3Q19. In US, hog production could be profitable with hedging in 4Q19. Price of US pork carcass trades at 73% discount to China's. China could import more pork so profitability of fresh pork could improve.
- **2020E outlook.** Management anticipates China's hog price in 1H20 could be higher than 2H20, fresh pork profitability could be lower in FY20E due to higher hog price. In US, hog production's OP per head could be around US\$9-12 based on current futures prices. Management expects improvement in US fresh pork profitability in 2020E driven by China's pork import demand, investment in factory automation and improvement of factory work flow.
- **Maintain Buy.** We fine-tuned our FY19-21E adjusted net profit by 1% to factor in better packaged meat and fresh pork margins in China but lower hog production margin in US. Our SOTP-based TP is lifted from HK\$9.20 to HK\$9.60, represents 14.7x FY19E P/E. **Catalyst:** China reduces import tariffs or increases pork imports on US pork. **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 | 24,100 | 24,697 | 24,877 |
| Net profit (US\$ mn) | 1,127 | 1,047 | 1,231 | 1,325 | 1,356 |
| Adj. net profit (US\$ mn) | 1,090 | 1,046 | 1,231 | 1,325 | 1,356 |
| Adj. EPS (US\$) | 0.075 | 0.071 | 0.084 | 0.090 | 0.092 |
| YoY growth (%) | 1.0 | (4.9) | 17.5 | 7.5 | 2.3 |
| Adj. P/E (x) | 13.4 | 14.0 | 12.0 | 11.1 | 10.9 |
| P/B (x) | 0.27 | 0.20 | 0.29 | 0.32 | 0.32 |
| Yield (%) | 3.5 | 2.6 | 3.8 | 4.0 | 4.1 |
| Adj. ROAE (%) | 15.8 | 13.8 | 15.1 | 14.7 | 13.9 |
| Net gearing (%) | 22 | 30 | 24 | 16 | 9 |

Source: Company data, CMBIS estimates

BUY (Maintain)

| | |
|---------------|-----------|
| Target Price | HK\$9.60 |
| (Previous TP | HK\$9.20) |
| Up/Downside | +23% |
| Current Price | HK\$7.82 |

China Staples Sector

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Stock Data

| | |
|--------------------------|------------|
| Mkt Cap (HK\$ mn) | 115,038 |
| Avg 3 mths t/o (HK\$ mn) | 328.27 |
| 52w High/Low (HK\$) | 9.95/ 5.27 |
| Total Issued Shares (mn) | 14,664.2 |

Source: Bloomberg

Shareholding Structure

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

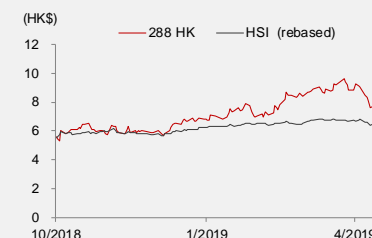
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 10.1% | 7.1% |
| 3-mth | -6.6% | -0.5% |
| 6-mth | -13.3% | -3.7% |

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: EY

Related Reports

1. "WH Group – NDR takeaways; China market is improving in 3Q19E" – 25 Sep 2019
2. "WH Group – US hog futures rallied as trade tensions ease" – 14 Sep 2019
3. "WH Group – Expect a better 2H19" – 14 Aug 2019
4. "WH Group – 1H19 preview; expect a better 2H19" – 24 Jul 2019
5. "WH Group – US ham price up after Mexico dropped tariff" – 24 May 2019
6. "WH Group – 1Q19 net profit fell but earnings outlook still positive" – 30 Apr 2019

Figure 1: Earnings revision

| US\$ mn | New | | | Old | | | Diff (%) | | |
|------------------|--------|--------|--------|--------|--------|--------|----------|---------|---------|
| | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E |
| Revenue | 24,100 | 24,697 | 24,877 | 23,217 | 24,240 | 24,268 | 4% | 2% | 3% |
| Gross Profit | 4,596 | 4,942 | 5,013 | 4,604 | 4,958 | 5,008 | 0% | 0% | 0% |
| Operating Profit | 2,000 | 2,135 | 2,194 | 1,980 | 2,126 | 2,184 | 1% | 0% | 0% |
| Adj. net profit | 1,231 | 1,325 | 1,356 | 1,215 | 1,317 | 1,347 | 1% | 1% | 1% |
| Gross Margin | 19.1% | 20.0% | 20.1% | 19.8% | 20.5% | 20.6% | -0.7ppt | -0.5ppt | -0.5ppt |
| Operating Margin | 8.3% | 8.6% | 8.8% | 8.5% | 8.8% | 9.0% | -0.2ppt | -0.2ppt | -0.2ppt |
| Net Margin | 5.1% | 5.4% | 5.5% | 5.2% | 5.4% | 5.6% | -0.1ppt | flat | -0.1ppt |

Source: Company data, CMBIS estimates

Figure 2: CMBI estimates vs consensus

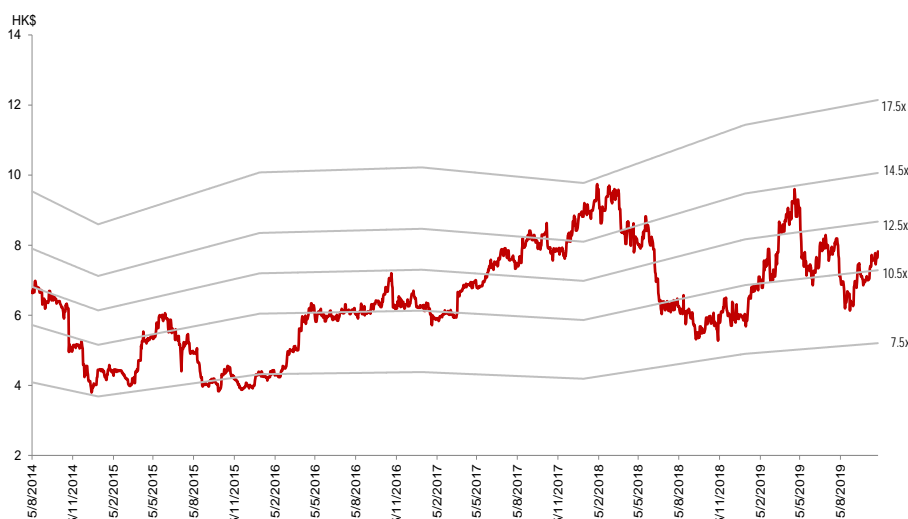
| US\$ mn | CMBI | | | Consensus | | | Diff (%) | | |
|------------------|--------|--------|--------|-----------|--------|--------|----------|---------|---------|
| | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E | FY19E | FY20E | FY21E |
| Revenue | 24,100 | 24,697 | 24,877 | 23,610 | 24,906 | 25,753 | 2% | -1% | -3% |
| Gross Profit | 4,596 | 4,942 | 5,013 | 4,608 | 4,893 | 5,185 | 0% | 1% | -3% |
| Operating Profit | 2,000 | 2,135 | 2,194 | 1,815 | 1,972 | 2,087 | 10% | 8% | 5% |
| Net profit | 1,231 | 1,325 | 1,356 | 1,126 | 1,216 | 1,362 | 9% | 9% | 0% |
| Gross Margin | 19.1% | 20.0% | 20.1% | 19.5% | 19.6% | 20.1% | -0.4ppt | +0.4ppt | flat |
| Operating Margin | 8.3% | 8.6% | 8.8% | 7.7% | 7.9% | 8.1% | +0.6ppt | +0.7ppt | +0.7ppt |
| Net Margin | 5.1% | 5.4% | 5.5% | 4.8% | 4.9% | 5.3% | +0.3ppt | +0.5ppt | +0.2ppt |

Source: Bloomberg, CMBIS estimates

Figure 3: SOTP-based valuation

| Segment | FY19 P/E | FY19 net profit (US\$mn) | Valuation (US\$mn) | Remarks |
|------------------------|----------|--------------------------|--------------------|---|
| US & Europe businesses | 12.0 | 627.5 | 7,530 | 12x FY19E P/E |
| China business | 17.6 | 603.5 | 10,622 | 30% discount on HK listed peers' average 25.1x FY19 P/E |
| Total | | | 18,152 | |
| Value per share (HK\$) | | | 9.6 | |
| Implied FY19 P/E | | | 14.7 | |

Source: Company data, Bloomberg, CMBIS estimates

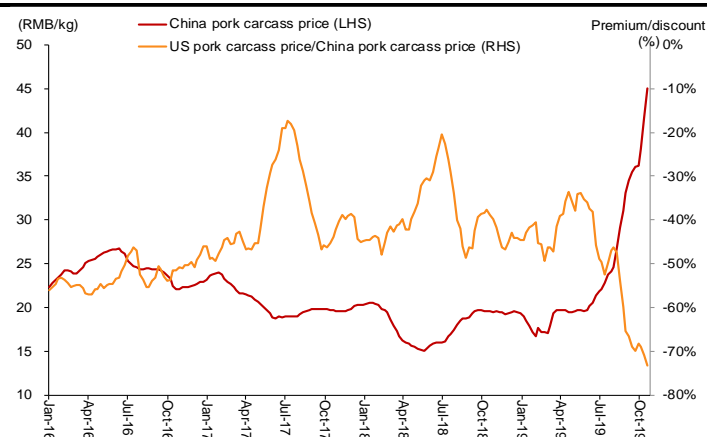
Figure 4: P/E band

Source: Bloomberg, Company data, CMBIS estimates

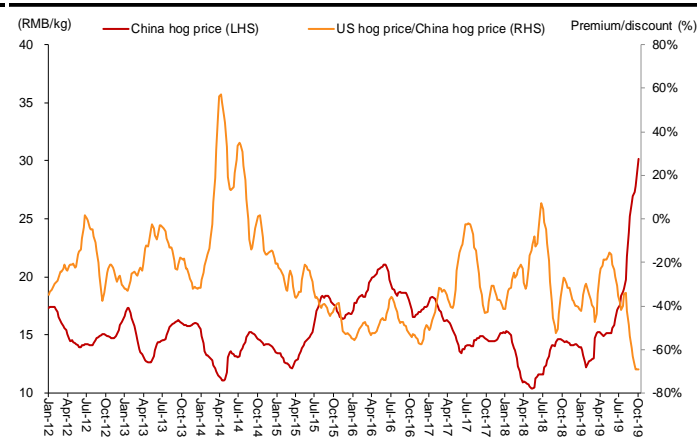
Figure 5: 3Q19 results review

| Y/E Dec (US\$mn) | 3Q19 | 3Q18 | % change |
|---------------------------------|--------------|--------------|-------------|
| Revenue by market | | | |
| China revenue | 2,372 | 1,891 | 25% |
| Packaged meat | 969 | 908 | 7% |
| Fresh pork | 1,267 | 907 | 40% |
| Hog production | 0 | 2 | -100% |
| Others | 136 | 74 | 84% |
| US revenue | 3,093 | 3,052 | 1% |
| Packaged meat | 1,793 | 1,813 | -1% |
| Fresh pork | 1,076 | 1,136 | -5% |
| Hog production | 224 | 103 | 117% |
| Europe revenue | 601 | 473 | 27% |
| Packaged meat | 245 | 222 | 10% |
| Fresh pork | 258 | 165 | 56% |
| Hog production | 15 | 10 | 50% |
| Others | 83 | 76 | 9% |
| OP by market | | | |
| China OP | 284 | 240 | 18% |
| Packaged meat | 209 | 197 | 6% |
| Fresh pork | 69 | 31 | 123% |
| Hog production | (3) | 2 | -250% |
| Others | 9 | 10 | -10% |
| US OP | 207 | 76 | 172% |
| Packaged meat | 155 | 162 | -4% |
| Fresh pork | (5) | 17 | -129% |
| Hog production | 88 | (80) | -210% |
| Others | (31) | (23) | 35% |
| Europe OP | 39 | 25 | 56% |
| Packaged meat | 19 | 12 | 58% |
| Fresh pork | (11) | (3) | 267% |
| Hog production | 30 | 13 | 131% |
| Others | 1 | 3 | -67% |
| Packaged meat margin (%) | | | |
| China | 21.6 | 21.7 | (0.1) |
| US | 8.6 | 8.9 | (0.3) |
| Europe | 7.8 | 5.4 | 2.3 |
| Revenue | 6,066 | 5,416 | 12% |
| EBITDA | 699 | 472 | 48% |
| Operating profit | 530 | 341 | 55% |
| Net profit | 357 | 199 | 79% |

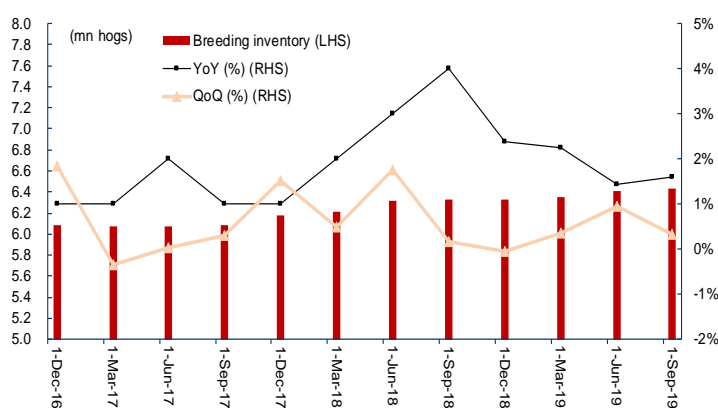
Source: Company data, Bloomberg, CMBIS estimates

Figure 6: The discount of US pork carcass price to China's widened to 73% on 20 Oct 2019


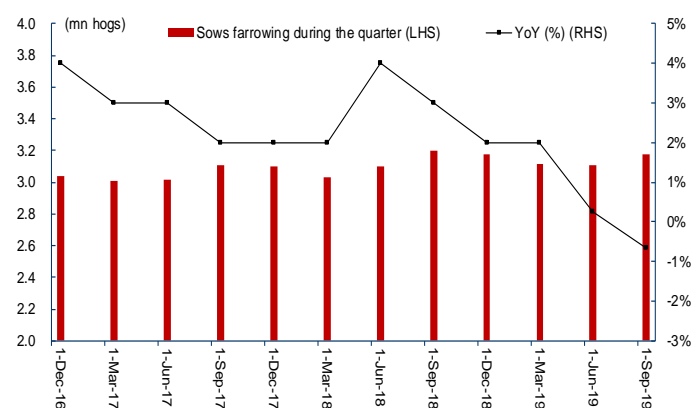
Source: Bloomberg, CMBIS

Figure 7: The discount of US hog price to China's widened to 69% on 9 Oct 2019


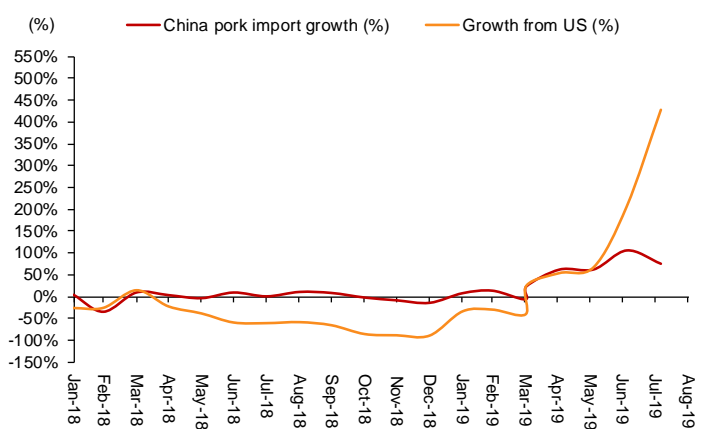
Source: Bloomberg, CMBIS

Figure 8: Growth of US breeding hog inventory was 2% in the quarter ended 1 Sep 2019


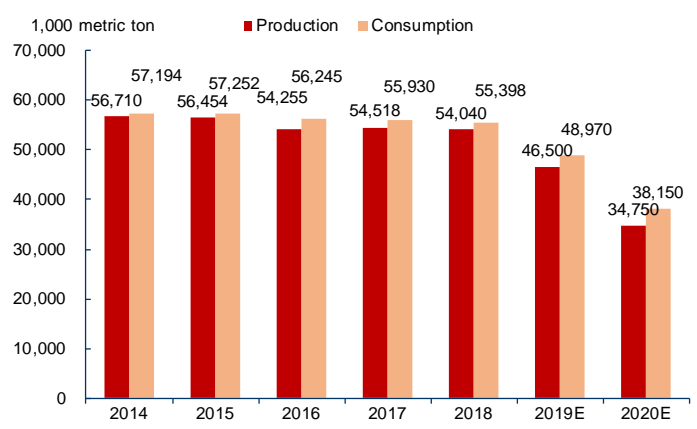
Source: USDA, CMBIS

Figure 9: Number of sows farrowing during the quarter ended 1 Sep 2019 fell 1%


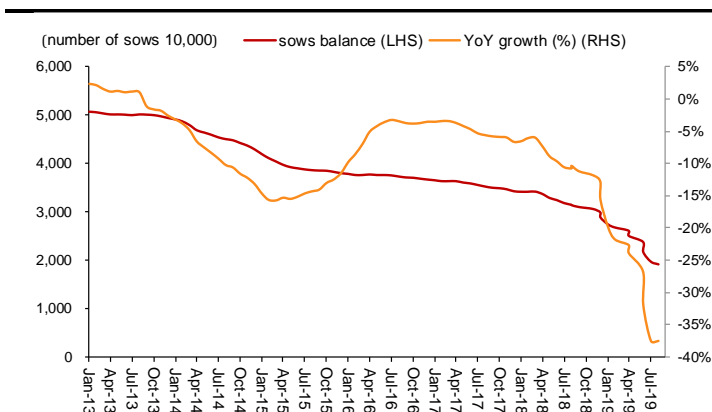
Source: USDA, CMBIS

Figure 10: China's pork import from US jumped 426.5% YoY in Aug 2019


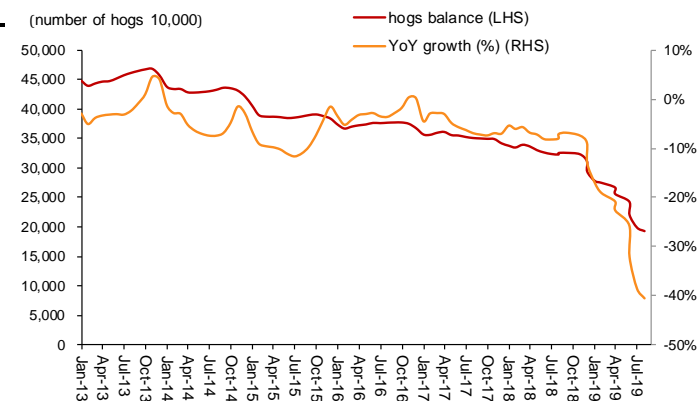
Source: WIND, CMBIS

Figure 11: China's pork import is estimated to grow by 67% and 35% in 2019E and 2020E


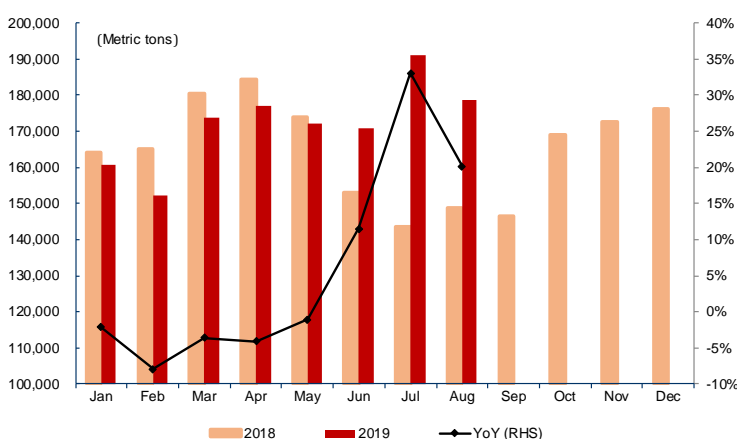
Source: USDA

Figure 12: Sows balance in China fell 37% YoY in Sep 2019


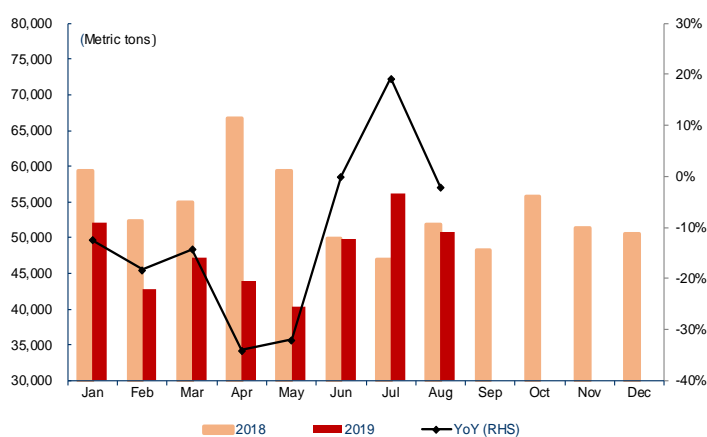
Source: WIND, CMBIS

Figure 13: Hogs balance in China fell 41% YoY in Sep 2019


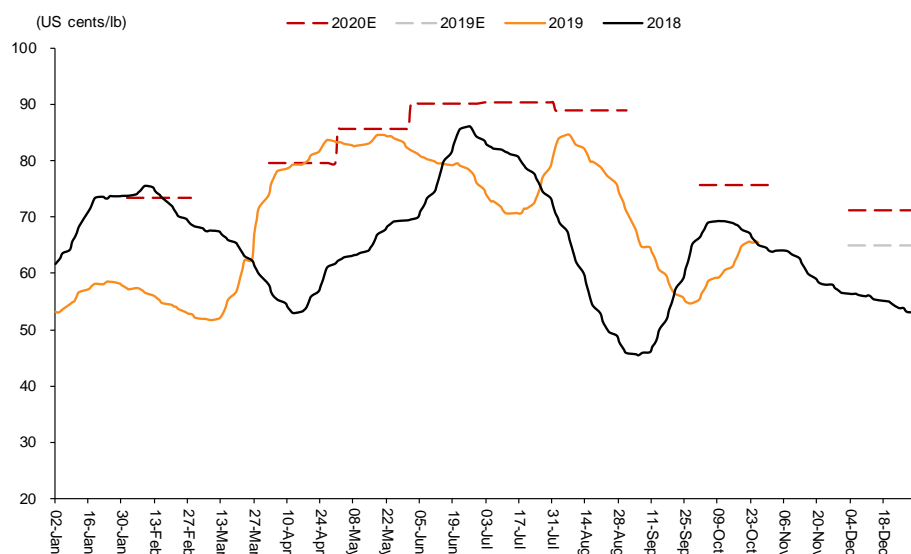
Source: WIND, CMBIS

Figure 14: US total pork export volume is recovering


Source: US meat export federation

Figure 15: US pork export volume to Mexico, its largest export destination, has recovered since 20% tariff eliminated in May 2019


Source: US meat export federation

Figure 16: 2020E US hog futures prices are trading above 2019 hog price

Source: Bloomberg, CMBIS estimates

Figure 17: US fresh pork margin could be better YoY in Oct 2019

Source: Bloomberg

Figure 18: Major assumptions for US market

| (US\$mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Packaged meat segment | | | | | |
| External revenue | 7,807 | 7,773 | 7,807 | 7,964 | 8,124 |
| growth % | 9.6% | -0.4% | 0.4% | 2.0% | 2.0% |
| 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 | 5,377 | 5,458 | 5,512 |
| growth % | 6.1% | -1.3% | 1.0% | 1.5% | 1.0% |
| OP margin | 9.3% | 10.1% | 10.7% | 11.1% | 11.3% |
| Fresh pork segment | | | | | |
| External revenue | 4,961 | 4,790 | 5,021 | 5,325 | 5,085 |
| growth % | 11.7% | -3.4% | 4.8% | 6.0% | -4.5% |
| Hog processed (mn heads) | 34.43 | 33.95 | 34.46 | 34.80 | 34.80 |
| growth % | 8.0% | -1.4% | 1.5% | 1.0% | 0.0% |
| OP/head (US\$) | 12.6 | 1.4 | 1.0 | 2.0 | 4.6 |
| Hog production segment | | | | | |
| External revenue | 510 | 619 | 689 | 724 | 695 |
| growth % | -35.8% | 21.4% | 11.3% | 5.1% | -4.0% |
| Hog produced (mn heads) | 16.38 | 16.47 | 17.13 | 17.47 | 17.47 |
| growth % | 4.8% | 0.5% | 4.0% | 2.0% | 0.0% |
| OP/head (US\$) | (4.2) | (8.9) | 4.0 | 14.0 | 5.0 |
| Total external revenue | 13,278 | 13,182 | 13,517 | 14,013 | 13,904 |
| Packaged meat | 7,807 | 7,773 | 7,807 | 7,964 | 8,124 |
| Fresh pork | 4,961 | 4,790 | 5,021 | 5,325 | 5,085 |
| Hog production | 510 | 619 | 689 | 724 | 695 |
| Segment profit | 923 | 615 | 846 | 1,097 | 1,056 |
| growth % | 3.9% | -33.4% | 37.6% | 29.6% | -3.7% |
| Packaged meat | 726 | 785 | 836 | 884 | 919 |
| Fresh pork | 433 | 48 | 34 | 70 | 160 |
| Hog production | (68) | (147) | 69 | 245 | 87 |
| Others | (168) | (71) | (92) | (102) | (110) |
| Segment profit margin | 7.0% | 4.7% | 6.3% | 7.8% | 7.6% |

Source: Company data, CMBIS estimates

Figure 19: Major assumptions for China market

| (US\$mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Packaged meat segment | | | | | |
| External revenue | 3,312 | 3,458 | 3,513 | 3,761 | 3,952 |
| growth % | -1.0% | 4.4% | 1.6% | 7.1% | 5.1% |
| Sales volume (mn metric tons) | 1.58 | 1.60 | 1.58 | 1.60 | 1.63 |
| growth % | -1.4% | 1.1% | -1.0% | 1.0% | 2.0% |
| ASP (Rmb/ton) | 14,126 | 14,303 | 15,518 | 16,450 | 16,943 |
| growth % | 2.2% | 1.3% | 8.5% | 6.0% | 3.0% |
| OP margin % | 20.9% | 20.6% | 18.9% | 17.5% | 20.0% |
| Fresh pork segment | | | | | |
| External revenue | 3,888 | 3,584 | 4,361 | 3,943 | 3,767 |
| growth % | -7.3% | -7.8% | 21.7% | -9.6% | -4.5% |
| Hog processed (mn heads) | 14.27 | 16.31 | 13.53 | 10.83 | 11.37 |
| growth % | 15.5% | 14.3% | -17.0% | -20.0% | 5.0% |
| OP/head (Rmb) | 48.8 | 72.7 | 130.0 | 75.0 | 50.0 |
| Hog production segment | | | | | |
| External revenue | 11 | 8 | 7 | 7 | 7 |
| growth % | -21.4% | -27.3% | -7.0% | 0.8% | -9.0% |
| Hog produced (mn heads) | 0.31 | 0.29 | 0.27 | 0.26 | 0.26 |
| growth % | 0.0% | -6.1% | -9.0% | -4.0% | 0.0% |
| OP/head (Rmb) | 498.0 | 113.0 | -300.0 | -200.0 | -150.0 |
| Total external revenue | 7,446 | 7,328 | 8,224 | 8,087 | 8,139 |
| Packaged meat | 3,312 | 3,458 | 3,513 | 3,761 | 3,952 |
| Fresh pork | 3,888 | 3,584 | 4,361 | 3,943 | 3,767 |
| Hog production | 11 | 8 | 7 | 7 | 7 |
| Others | 235 | 278 | 342 | 376 | 414 |
| Segment profit | 525 | 922 | 942 | 809 | 912 |
| growth % | -36.2% | 75.6% | 2.2% | -14.1% | 12.8% |
| Packaged meat | 692 | 712 | 664 | 658 | 790 |
| Fresh pork | 103 | 179 | 251 | 116 | 81 |
| Hog production | 23 | 5 | (11) | (7) | (5) |
| Others | (293) | 26 | 38 | 42 | 46 |
| Segment profit margin | 7.1% | 12.6% | 11.5% | 10.0% | 11.2% |

Source: Company data, CMBIS estimates

Figure 20: Major assumptions for Europe market

| (US\$mn) | 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 | 909 | 993 | 1,086 |
| growth % | 24.7% | 12.6% | 19.3% | 9.3% | 9.4% |
| 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 | -2.5 | -4.5 | -2.0 |
| Hog production segment | | | | | |
| External revenue | 51 | 61 | 70 | 73 | 70 |
| growth % | 41.7% | 19.6% | 14.1% | 5.3% | -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 | 19.0 | 23.0 | 16.0 |
| Total external revenue | 1,655 | 2,095 | 2,359 | 2,598 | 2,834 |
| Packaged meat | 658 | 916 | 971 | 1,072 | 1,163 |
| Fresh pork | 677 | 762 | 909 | 993 | 1,086 |
| Hog production | 51 | 61 | 70 | 73 | 70 |
| Others | 269 | 356 | 409 | 458 | 514 |
| Segment profit | 135 | 113 | 133 | 150 | 147 |
| growth % | 75.3% | -16.3% | 17.8% | 13.0% | -2.5% |
| Packaged meat | 17 | 50 | 55 | 67 | 78 |
| Fresh pork | 11 | 19 | (15) | (29) | (14) |
| Hog production | 101 | 29 | 73 | 89 | 62 |
| Others | 6 | 15 | 20 | 24 | 20 |
| Segment profit margin | 8.2% | 5.4% | 5.6% | 5.8% | 5.2% |

Source: Company data, CMBIS estimates

Financial Summary

Income statement

| YE 31 Dec (US\$ mn) | FY17A | FY18A | FY19E | FY20E | FY21E |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 22,379 | 22,605 | 24,100 | 24,697 | 24,877 |
| China | 7,446 | 7,328 | 8,224 | 8,087 | 8,139 |
| US | 13,278 | 13,182 | 13,517 | 14,013 | 13,904 |
| EUR | 1,655 | 2,095 | 2,359 | 2,598 | 2,834 |
| Cost of sales | (17,766) | (18,103) | (19,504) | (19,756) | (19,864) |
| Gross profit | 4,613 | 4,502 | 4,596 | 4,942 | 5,013 |
| Other income and gains | 113 | 98 | 86 | 88 | 95 |
| SG&A expenses | (2,753) | (2,871) | (2,683) | (2,895) | (2,914) |
| Operating profit | 1,973 | 1,729 | 2,000 | 2,135 | 2,194 |
| Finance cost | (198) | (115) | (132) | (112) | (111) |
| 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 | 1,815 | 1,973 | 2,035 |
| Income tax | (165) | (293) | (377) | (429) | (442) |
| Non-controlling interests | (186) | (210) | (208) | (218) | (237) |
| Net profit | 1,127 | 1,047 | 1,231 | 1,325 | 1,356 |
| Adj. net profit | 1,090 | 1,046 | 1,231 | 1,325 | 1,356 |

Cash flow summary

| YE 31 Dec (US\$ mn) | FY17A | FY18A | FY19E | FY20E | FY21E |
|--------------------------------|--------------|----------------|--------------|--------------|----------------|
| Profit before tax | 1,501 | 1,411 | 1,795 | 1,964 | 2,025 |
| Depreciation and amortization | 394 | 441 | 469 | 501 | 514 |
| Change in working capital | (321) | (570) | (341) | (65) | (2) |
| Others | (62) | (27) | (359) | (372) | (428) |
| Net cash from operating | 1,512 | 1,255 | 1,564 | 2,028 | 2,109 |
| Capex & investments | (530) | (811) | (800) | (600) | (600) |
| Interest received | 12 | 6 | 17 | 15 | 20 |
| Others | (266) | (412) | (58) | (57) | (56) |
| Net cash from investing | (784) | (1,217) | (841) | (642) | (636) |
| Change of borrowings | 64 | 4 | 0 | (200) | (300) |
| Dividend paid | (668) | (795) | (447) | (728) | (790) |
| Others | 13 | 1 | 0 | 0 | 0 |
| Net cash from financing | (591) | (790) | (447) | (928) | (1,090) |
| Net change in cash | 137 | (752) | 276 | 458 | 383 |
| Cash at the beginning | 1,123 | 1,279 | 484 | 760 | 1,218 |
| Exchange difference | 19 | (43) | 0 | 0 | 0 |
| Cash at the end | 1,279 | 484 | 760 | 1,218 | 1,601 |
| Bank and cash balance | 1,371 | 525 | 801 | 1,259 | 1,642 |
| 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 | 6,305 | 6,848 | 7,256 |
| Cash and pledged deposits | 1,440 | 579 | 842 | 1,313 | 1,696 |
| Inventory | 1,905 | 2,022 | 2,505 | 2,538 | 2,552 |
| Trade receivables | 989 | 1,135 | 1,210 | 1,240 | 1,249 |
| Others | 1,332 | 1,724 | 1,748 | 1,757 | 1,760 |
| Current liabilities | 3,499 | 3,328 | 3,591 | 3,630 | 3,645 |
| Borrowings | 901 | 860 | 960 | 960 | 960 |
| Trade payables | 1,076 | 977 | 1,053 | 1,066 | 1,072 |
| Other payables | 1,472 | 1,430 | 1,541 | 1,561 | 1,569 |
| Others | 50 | 61 | 38 | 43 | 44 |
| Non-current liabilities | 3,537 | 3,552 | 3,496 | 3,313 | 3,019 |
| Borrowings | 2,297 | 2,259 | 2,159 | 1,959 | 1,659 |
| Deferred revenue | 601 | 695 | 739 | 756 | 762 |
| Others | 639 | 598 | 598 | 598 | 598 |
| Minority Interest | 777 | 672 | 808 | 846 | 885 |
| Total net assets | 8,222 | 8,418 | 9,409 | 10,218 | 11,018 |
| Shareholders' equity | 7,445 | 7,746 | 8,602 | 9,373 | 10,132 |

Key ratios

| YE 31 Dec | FY17A | FY18A | FY19E | FY20E | FY21E |
|-----------------------------|-------|-------|-------|-------|-------|
| Sales mix (%) | | | | | |
| China | 33.3 | 32.4 | 34.1 | 32.7 | 32.7 |
| US | 59.3 | 58.3 | 56.1 | 56.7 | 55.9 |
| EUR | 7.4 | 9.3 | 9.8 | 10.5 | 11.4 |
| P&L ratios (%) | | | | | |
| Gross profit margin | 20.6 | 19.9 | 19.1 | 20.0 | 20.1 |
| Operating profit margin | 8.8 | 7.6 | 8.3 | 8.6 | 8.8 |
| Net profit margin | 5.0 | 4.6 | 5.1 | 5.4 | 5.5 |
| Adj. net profit margin | 4.9 | 4.6 | 5.1 | 5.4 | 5.5 |
| Payout ratio | 44.7 | 40.0 | 45.0 | 45.0 | 45.0 |
| Balance sheet ratios | | | | | |
| Current ratio (x) | 1.6 | 1.4 | 1.8 | 1.9 | 2.0 |
| Receivables turnover days | 15 | 17 | 18 | 18 | 18 |
| Payables turnover days | 20 | 21 | 19 | 20 | 20 |
| Inventory turnover days | 37 | 40 | 42 | 47 | 47 |
| Asset turnover (x) | 1.5 | 1.5 | 1.5 | 1.4 | 1.4 |
| Net gearing ratio (%) | 22 | 30 | 24 | 16 | 9 |
| Returns (%) | | | | | |
| Adj. ROAE | 15.8 | 13.8 | 15.1 | 14.7 | 13.9 |
| Adj. ROAA | 8.8 | 8.2 | 9.1 | 9.2 | 9.1 |
| Per share data | | | | | |
| Adj. EPS (US\$) | 0.075 | 0.071 | 0.084 | 0.090 | 0.092 |
| DPS (HK\$) | 0.27 | 0.20 | 0.29 | 0.32 | 0.32 |
| BVPS (US\$) | 0.51 | 0.53 | 0.58 | 0.64 | 0.69 |

Source: Company data, CMBIS estimates

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| | |
|------------------|---|
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| | |
|-----------------------|---|
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