中国：建筑： 水泥

证券研究报告

金隅股份/冀东水泥重组对行业利好；强力买入金隅股份 A（摘要）

拟议中的并购交易将令金隅股份获得冀东控股股权

自 4 月 5 日以来，金隅股份就金隅股份、冀东集团和冀东水泥（000401.SZ，未覆盖）之间的潜在交易发布了一系列公告。拟议中的交易即包括在集团层面与冀东集团股东之间的交易，也包括在上市公司层面与冀东水泥股东之间的交易。我们将拟议中的交易归纳为三个步骤，如果得以完成，则金隅股份将成为冀东集团的控股股东（直接持股 55%）和冀东水泥的的控股股东（直接持股 45.41%，通过冀东集团间接持股 7.26%）。

华北地区供应集中度提高且需求强劲

在交易完成后，获得金隅股份水泥资产注入的冀东水泥将成为中国第三大水泥生产企业（水泥熟料年产能达到 1.05 亿吨），这意味着交易完成后华北和京津冀地区的供应集中度均有所提高（冀东水泥在华北和京津冀的供应占比将分别达到 32%和 57%）。除供应之外，华北地区需求也保持稳健，上半年 9%的水泥需求增幅超过了中国其它地区。金隅股份和冀东水泥发布的业绩快报均显示，供需格局改善是推动二季度盈利环比提高的部分原因。

将对金隅股份的财务数据产生不利影响，但有望逐渐改善

从历史数据的角度来看，将冀东集团财务数据与金隅股份并表后，金隅股份的盈利、杠杆率和财务成本将受到不利影响，因为冀东水泥在 2015 年和 2016 年一季度亏损严重。但是，我们看到冀东财务数据自 2016 年二季度以来有所改善，而且我们认为金隅股份将在长期内从该交易中受益，因为华北地区供应集中度提高将带动合并水泥资产的盈利能力改善，不过，公司的主要盈利来源仍是房地产业务。

金隅股份：房地产业务强劲增长带动上半年业绩符合预期

金隅股份业绩快报显示，2016 年上半年净利润有望同比增长 60%-80%至人民币 16.8 亿-18.9 亿元。业绩的强劲同比增速主要得益于房地产结算面积同比增长 83%。上半年业绩基本符合我们的 2016 年全年预测，但我们将盈利预测上调了 1%/6%/6%，因为我们对于公司房地产领域执行能力的信心进一步增强。为体现我们的最新盈利预测和行业估值倍数，我们将金隅股份 A/H 股 12 个月目标价格从人民币 4.85 元/3.0 港元上调至 5.0 元/3.2 港元，并维持强力买入/买入建议。主要风险：房地产结算面积和水泥价格不及预期。

我们的评级和 12 个月目标价格

	Ticker	Rating	12m TP	Closing price	Potential up/down
BBMG (H)	2009.HK	Buy	**3.20**	2.90	10%
BBMG (A)	601992.SS	Buy*	**5.00**	4.08	23%

*表明该股位于亚太强力买入名单

资料来源：DataStream、高盛全球投资研究、高华证券研究

2016 年上半年财报发布日期

Cement	Reporting date
BBMG (601992.SS)	Monday, August 29, 2016

资料来源：上交所

相关研究

金隅股份(A)(601992.SS)：金隅股份和冀东集团签署重组水泥业务的框架协议，2016 年 4 月 18 日

**全文翻译随后提供*

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Prices in this report are as of the July 28, 2016 market close unless indicated otherwise.

Gao Hua Securities acknowledges the role of Yan Yan and Christina He of Goldman Sachs in the preparation of this product.

Exhibit 1: Cement valuation comp sheet

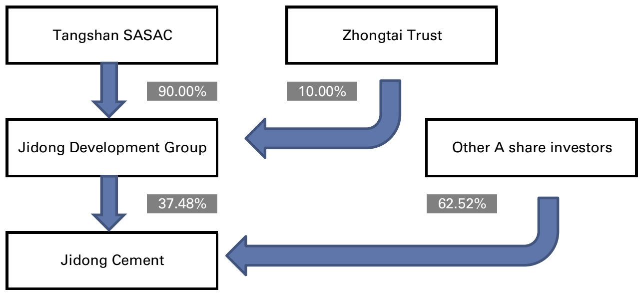
	Ticker	Rating	28-Jul-2016 Price	Ccy	12-mth TP	Potential Upside /downside	Mkt cap (US$mn)	P/E (X) 2016E	P/E (X) 2017E	P/E (X) 2018E	P/B (X) 2016E	P/B (X) 2017E	P/B (X) 2018E	Gross margin 2016E	Gross margin 2017E	Gross margin 2018E	ROE 2016E	ROE 2017E	ROE 2018E	Net gearing 2016E	Net gearing 2017E	Net gearing 2018E
Cement																						
Anhui Conch (H)	0914.HK	Buy	20.75	HKD	**23.20**	12%	14,175	13.6	12.6	11.0	1.3	1.2	1.1	29%	30%	31%	10%	10%	10%	17%	9%	-2%
Anhui Conch (A)	600585.SS	Buy	16.25	CNY	**19.80**	22%	12,911	12.4	11.5	10.0	1.2	1.1	1.0	29%	30%	31%	10%	10%	10%	17%	9%	-2%
CNBM	3323.HK	Neutral	3.61	HKD	**3.90**	8%	2,512	16.9	14.7	10.8	0.4	0.4	0.4	25%	25%	26%	2%	3%	3%	227%	225%	219%
CR Cement	1313.HK	Buy*	2.80	HKD	**3.40**	21%	2,358	17.1	13.4	10.6	0.7	0.7	0.6	24%	25%	26%	4%	5%	6%	72%	66%	58%
BBMG (H)	2009.HK	Buy	2.90	HKD	**3.20**	10%	3,992	9.4	8.3	8.5	0.7	0.6	0.6	27%	27%	26%	7%	8%	8%	80%	70%	66%
BBMG (A)	601992.SS	Buy*	4.08	CNY	**5.00**	23%	6,532	15.2	12.8	12.7	1.1	1.0	0.9	27%	27%	26%	7%	8%	8%	80%	70%	66%

Source: DataStream, Goldman Sachs Global Investment Research, Gao Hua Securities Research.

BBMG-Jidong transaction summary

On April 5, BBMG and the two listcos under Jidong Group (Jidong Cement and Jidong Equipment) announced that their respective controlling shareholders – BBMG Group and Tangshan SASAC – are planning strategic cooperation in response to the central government's appeal for supply side reform, air pollution control and industry restructuring and upgrade. On April 17, the overall transaction structure was disclosed: 1) BBMG would become a controlling shareholder of Jidong Group by cash subscription of new/existing shares; 2) BBMG and Jidong Group would inject cement and concrete assets into Jidong Cement through a private placement by Jidong Cement.

Exhibit 2: Shareholding structure of Jidong Group/Jidong Cement before the transaction

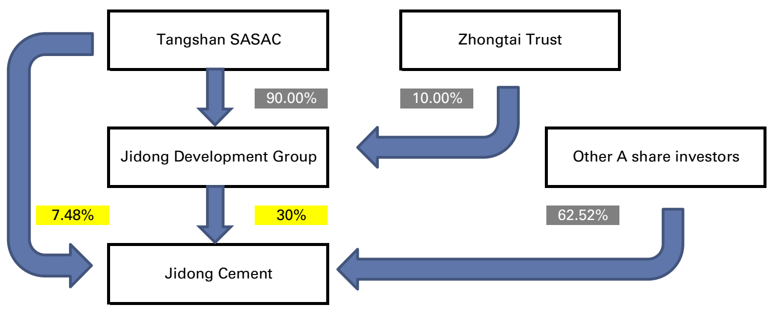


Source: Company data.

This proposed transaction, the second major cement deal since the merger of CNBM Group and SINOMA Group announced in January, would be a significant step in the supply side reform and SOE reform of the cement industry. The transaction also involves a certain degree of complexity and would result in shareholding changes for both the parent, Jidong Group, and the subsidiary, Jidong Cement. We summarize the transaction into three steps:

Step 1: Free shares transfer to Tangshan SASAC: Jidong Development will transfer 7.48% of Jidong Cement to its parent, Tangshan SASAC for free. Post the transfer, Jidong Group will hold 30% of Jidong Cement. This transfer was approved by National SASAC on July 19. The rationale behind this share transfer is that BBMG wants to avoid making a mandatory unconditional cash offer for all the outstanding shares of Jidong Cement post the restructuring (only applicable if Jidong Group's holding of Jidong Cement exceeds 30%). Below is the shareholding structure post step 1:

Exhibit 3: Shareholding structure of Jidong Group/Jidong Cement post step 1
Shareholding/shareholder change highlighted in yellow

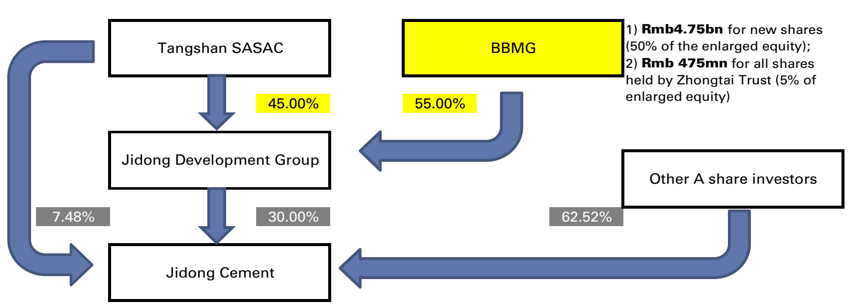


Source: Company data.

Step 2: Transactions at the Group level: In the next step, BBMG would become the controlling shareholder (55% stake) of Jidong Group via cash subscription of new shares (50% of the enlarged equity) and cash purchase of the shares held by Zhongtai Trust (5% of the enlarged equity). The P/B for both transactions would be the same at **1.53X (**based on the book value of equity as of March 31, 2016) and **1.07X** (based on the appraisal value of equity as of March 31, 2016).

BBMG paid Rmb3bn to Jidong Group on April 15 as a deposit and the rest of Rmb1.75bn is expected to be paid after all the conditions are fulfilled. The **key conditions** include: 1) completion of the free share transfer (step 1); 2) approval from National, Beijing and Hebei SASAC, Tangshan government, Hebei provincial government, Hong Kong Stock Exchange, BBMG's shareholders' meeting, and Ministry of Commerce on antitrust. Below is the shareholding structure post step 2.

Exhibit 4: Shareholding structure of Jidong Group/Jidong Cement post step 2
Shareholding/shareholder change highlighted in yellow



Source: Company data.

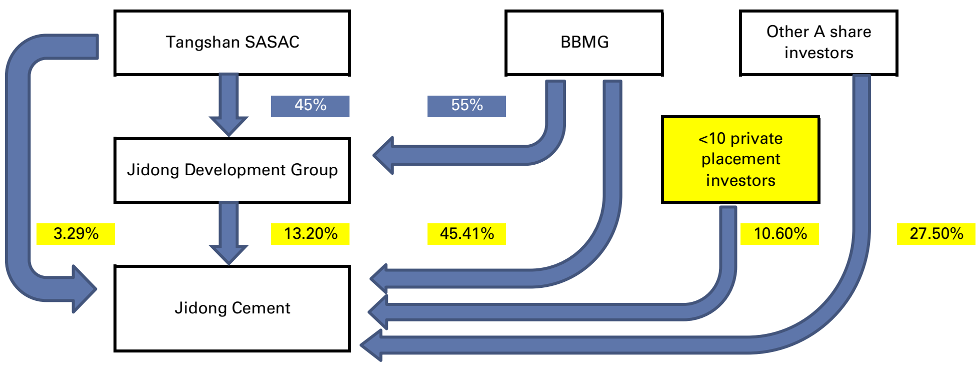
Step 3: Transactions at the listco (Jidong Cement) level: BBMG will become the controlling shareholder of Jidong Cement – directly holding 45.41% and indirectly holding another 7.26% via Jidong Group. The details of transactions are as below:

1. BBMG intends to inject cement-related assets (appraisal net asset value of Rmb13bn) into Jidong Cement in exchange for 1.39bn new shares (45.41% of enlarged equity). Implied transaction price is **Rmb9.31 per share.**

2. Jidong Cement intends to issue additional 325mn new shares (10.6% of enlarged equity) to less than 10 investors through private investment at a price no less than **Rmb9.31 per share.** The proceeds of no more than Rmb3.024bn will be used for 1) paying off the minority shareholders of 3 BBMG's subsidiaries for their minority stake; 2) paying off Jidong Group for the cement assets injected; 3) CAPEX for projects under construction.

The transaction would require **approval** from 1) BBMG and Jidong's shareholders' meeting; 2) CSRC and Hong Kong Stock Exchange; 3) Beijing SASAC on asset appraisal value; and 4) Ministry of Commerce on antitrust.

Exhibit 5: Shareholding structure of Jidong Group/Jidong Cement post step 3
Shareholding/shareholder change highlighted in yellow



Note: The above shareholding structure is based on the assumption of private placement proceeds of Rmb3.024bn at Rmb9.31/share.

Source: Company data.

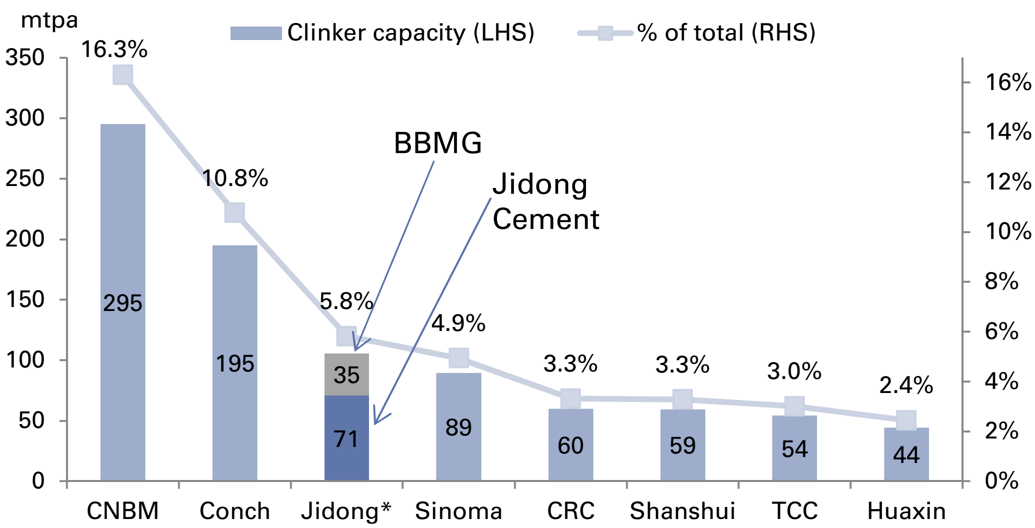
In addition, BBMG also provides **future profit guarantee** on BBMG's limestone mine assets in 3-year horizon (including the year of deal completion): 1) if the gap between accumulated guaranteed profit vs. actual profit is <= 5%, BBMG will pay cash to Jidong Cement to bridge the gap; 2) if the % difference is over 5%, part of Jidong Cement's shares held by BBMG will be transferred back to Jidong Cement, and the numbers of share to be transferred is based on % profit miss multiplied by the number of Jidong Cement shares represented by the injected limestone mine assets.

Potential tighter supply and robust ytd demand in North China

Higher supply concertation in North China

Post the injection of BBMG's cement related assets, Jidong Cement will become the third-largest cement producer in China, accounting for 6% of total clinker capacity, following CNBM (16%) and Anhui Conch (11%). This asset injection would increase capacity concentration of top 10 cement companies to 54.1%, which is consistent with the government target to increase capacity concentration of top 10 cement companies to 60% by 2020 (vs. 52% in 2015).

Exhibit 6: Proposed deal would make Jidong the third-largest cement producer in China
Top 10 cement producers by clinker capacity (2015)

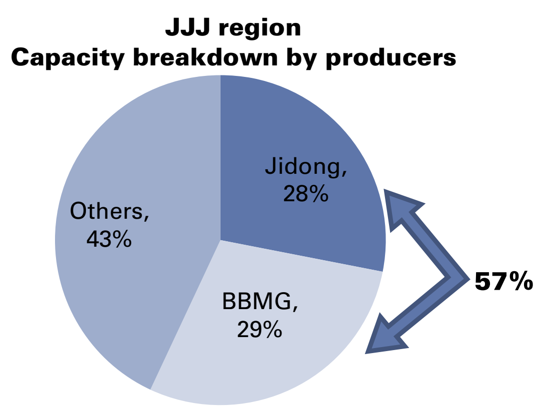


*Jidong refers to Jidong Cement post proposed transactions with BBMG. Note: annual capacity is based on 310 day per year utilization.

Source: CCement

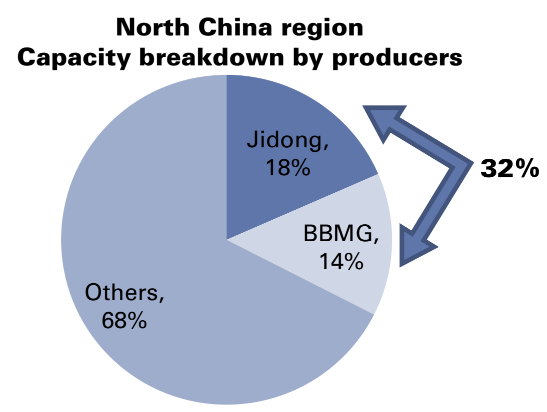
BBMG and Jidong's key markets are both in North China, in particularly in the JJJ (Beijing-Tianjin-Hebei) region. According to Digital Cement, post the transaction Jidong Cement and BBMG combined would control 57% of the capacity in the JJJ region and 32% in North China. We believe the increased supply concentration would alleviate the price competition in the region and result in more rational and coordinated supply.

Exhibit 7: Jidong and BBMG combined account for 57% of clinker capacity in JJJ region…



Source: Digital Cement.

Exhibit 8: …as well as 32% of clinker capacity in North China region



Source: Digital Cement.

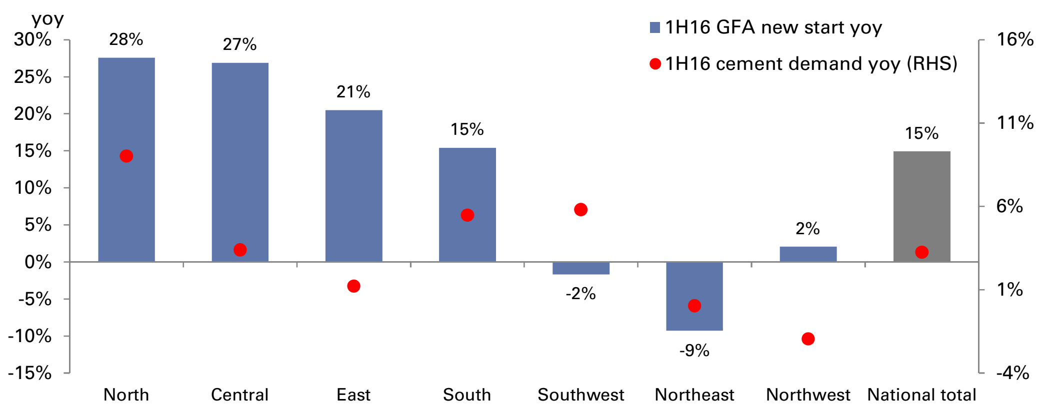
Demand has held up well in North China ytd

Apart from potential positive impact from the supply side, we have seen strong cement demand in North China from both infrastructure and property, leading to the highest ytd cement demand growth (+9% in 1H16) across all the regions.

BBMG and Jidong Cement also preannounced 1H16 cement sales volume yoy growth of 21%/20%, respectively, suggesting decent demand pickup in the North China region, especially in the JJJ region.

We expect the cement demand in North China to continue to outgrow other regions, due to strong property new starts in 1H (+28% yoy, a leading indicator for cement consumption) and sufficient approved infrastructure projects in the pipeline (see Exhibit 10). In addition, North China demand was less affected by the heavy rainfall and flood in the summer season.

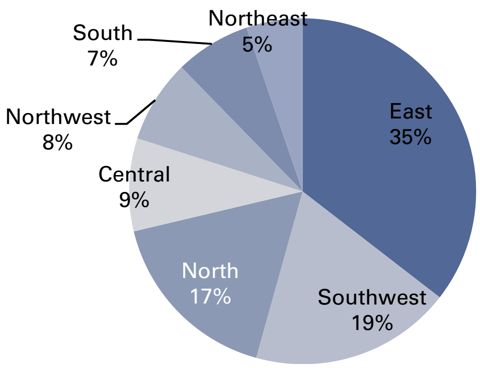
Exhibit 9: In 1H16, North China saw the strongest new start growth, which translated into the strongest cement demand



Source: NBS, CEIC, Digital Cement

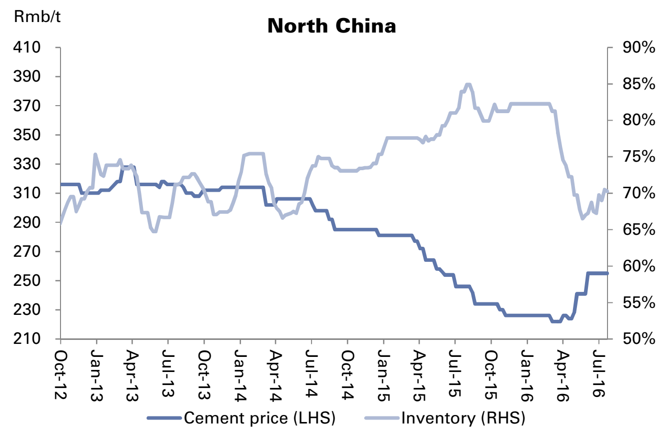
As a result of the more concentrated supply and demand pickup in North China, the cement price has recovered 15% from the trough level in late March (see Exhibit 11).

Exhibit 10: North China accounts for 17% of the key infra projects approved since 2014
Key infrastructure projects approved by NDRC (2014-2016ytd)



Source: NDRC website

Exhibit 11: North China cement price rebounded 15% from trough in late March
Price and inventory in North China



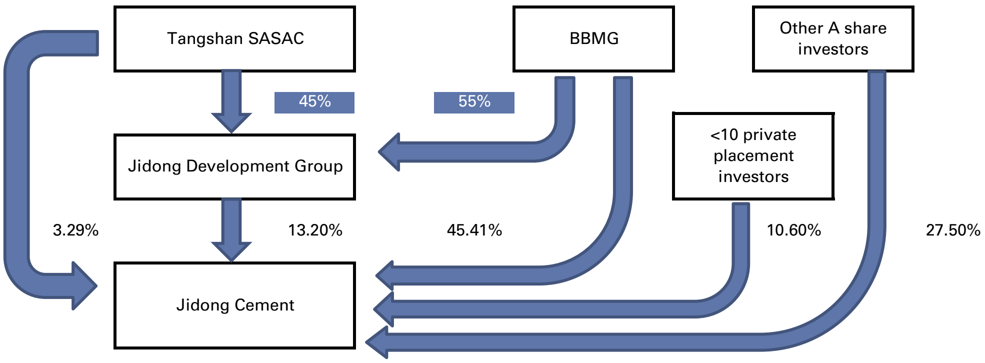
Source: Digital Cement

Potential impact on BBMG: Profit, leverage, and financing cost

Although we take no view on the likelihood of the proposed deal being completed, we undertook an analysis using 1Q16/FY15 data to estimate the potential impact of the transaction on BBMG's profit, leverage, and financing cost. We note that this presentation is for illustrative purposes only. Moreover, given the positive developments in Jidong's financials since 2Q16, we expect to see synergies in the long run.

Following the deal completion, BBMG would become the controlling shareholder of Jidong Group (directly hold 55%) as well as Jidong Cement (directly hold 45.41% and indirectly holds another 7.26% through Jidong Group).

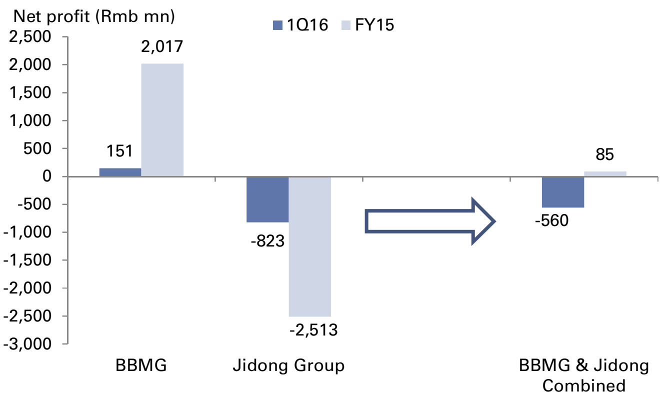
Exhibit 12: Shareholding structure Jidong Group/Jidong Cement post deal



Source: Company data.

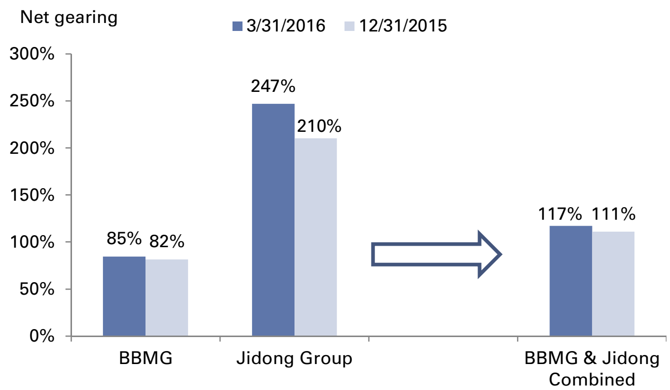
Our analysis, which is based on historical data (1Q16/FY15 financials), implies that post the deal (assuming BBMG will consolidate 100% of Jidong Group's financial statements): 1) BBMG's 1Q16/FY15 **net income** attributable to equity shareholders of the company would be reduced to Rmb-560mn/85mn from Rmb151mn/2bn; 2) BBMG's **net gearing** would be increased to 117%/111% from 85%/82% at the end of 1Q16/FY15. 3) BBMG's **net interest charges** (net interest expense/net debt) would increase to 6.1% from 3.9% based on FY15 financials.

Exhibit 13: Net income impact – combined entity



Source: Company data, Gao Hua Securities Research.

Exhibit 14: Net gearing impact – combined entity



Source: Company data, Gao Hua Securities Research.

Exhibit 15: Key historical financials for Jidong Group, BBMG, Jidong Cement and the combined entity

	Jidong Group		BBMG		BBMG & Jidong Combined		Jidong Cement	
Rmb mn	3/31/2016	12/31/2015	3/31/2016	12/31/2015	3/31/2016	12/31/2015	3/31/2016	12/31/2015
Total debt	29,816	31,101	48,578	45,602	78,394	76,703	20,290	20,192
Cash	4,763	5,654	12,796	11,214	17,084	16,393	2,021	1,996
Net debt	25,053	25,447	35,783	34,389	61,311	60,310	18,270	18,196
Total shareholders' equity	10,142	12,107	42,292	42,182	52,434	54,288	10,313	11,333
Net debt to equity	**247%**	**210%**	**85%**	**82%**	**117%**	**111%**	**177%**	**161%**
Sales	2,229	18,099	7,431	40,925	9,660	59,025	1,440	11,108
EBIT	-1,918	-4,116	574	3,701	-1,345	-416	-1,052	-1,988
Net interest expense	-445	-2,349	-270	-1,336	-715	-3,685	-320	-1,434
Net income	-823	-2,513	151	2,017	**-560**	**85**	-805	-1,715
Net interest charges (as a % of net debt)		**-9.2%**		**-3.9%**		**-6.1%**		**-7.9%**

Notes:
Yellow highlight denotes some adjustments have been made to calculation.
1. "BBMG & Jidong Combined" is the sum of the two companies for total debt, total shareholders' equity, sales, EBIT and net interest expense.
2. For cash in BBMG & Jidong Combined, we deducted the Rmb475mn paid to Zhongtai Trust (external third-party) for 5% of the enlarged equity of Jidong Group, see Exhibit 4 for details.
3. For net income calculation for BBMG & Jidong Combined, we have first stripped off Jidong Cement's earnings from Jidong Group's reported earnings and then add back using the total % shareholding of Jidong Cement by BBMG post the proposed transaction. BBMG & Jidong combined earnings = BBMG's earnings + (Jidong Group earnings - 37.48% * Jidong Cement earnings) * 55% + Jidong cement earnings * (45.41%+ 55%*13.48%). See Exhibit 5 for shareholding details.

Source: Company data, Gao Hua Securities Research.

Jidong Cement saw sequential improvement in 2Q16

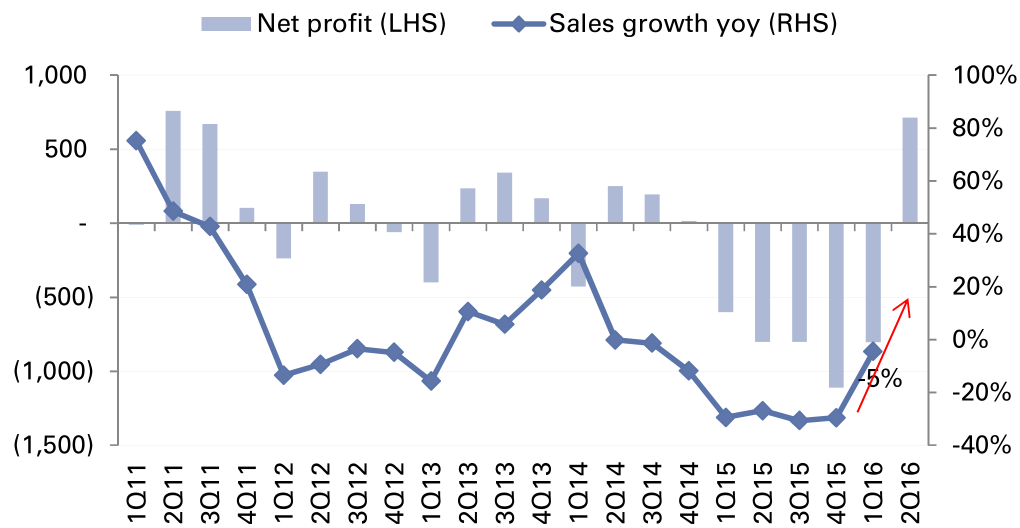
The key reason of Jidong Cement's big loss in 2015 was oversupply thus a fierce price war between the suppliers in North China, and less effective cost control than BBMG. We expect synergies from both market control and corporate management. Post the deal announcement in April, North China has seen 7%/7% QoQ price increase in 2Q/3Qtd, partly due to supply coordination between BBMG & Jidong.

Despite heavy losses in 2015 and 1Q16, the two major listcos under Jidong Group, Jidong Cement and Jidong Equipment, both reported **sequential improvement in 2Q16**. Jidong

Cement expects to turn around with Rmb710-715mn net profit in 2Q vs. a Rmb805mn loss in 1Q while Jidong Equipment expects to realize a net profit of Rmb73-79mn vs. a Rmb23mn loss in 1Q.

Jidong Cement accounted for **68%/98%** of Jidong Group's consolidated net loss in FY15/1Q16. We think the 2Q sequential improvement for Jidong Cement was partly due to higher cement volume/price in North China, as a result of: 1) demand pickup seen in the 28% yoy growth of property new starts in 1H16 (see Exhibit 9) and 2) strategic supply coordination between BBMG and Jidong, the two largest players in the region to support price.

Exhibit 16: Jidong Cement has seen significant improvement in 2Q16
Jidong Cement's quarterly earnings and sales yoy



Note: 2Q15 net profit has been normalized to exclude the Rmb1.6bn investment income from the disposal of Qinling Cement. 2Q16 loss is calculated based on the mid-point of 1H16 preliminary results.

Source: Company data.

Post the proposed deal, we think BBMG would benefit from more concentrated supply thus higher pricing power in the North China, lifting the profitability of Jidong and BBMG's combined cement assets (to be consolidated by BBMG post deal). On the other hand, we think property development and management business should continue to be the major profit contributor for BBMG (accounting for 77-78% of total gross profit in 2016-18E based on current GS forecast).

BBMG: 1H16 results in line with strong property segment growth

On July 13, BBMG released a 1H profit alert. According to the announcement, 1H16 net profit is expected to have grown by 60%-80% yoy to Rmb1.68-1.89bn, which would equate to 59%-66% of previous FY16 GSe (vs. 52% in 1H15). The 1H results are largely in line with GS FY16 forecast. BBMG attributed the yoy increase in net profit to 83% yoy higher booked GFA (727k sqm), accounting for 50% of previous FY16 GSe (vs. 32% in 1H15).

Exhibit 17: BBMG 1H16 vs. FY16 GSe

Rmb mn	1H16	1H15	yoy	New 2016 GSe	vs. new 2016E	Old 2016 GSe	vs old. 2016E
Net profit	**1676-1886**	**1,048**	60%-80%	**2,877**	58%-66%	**2,842**	59%-66%
GFA booked (k sqm)	727	398	83%	1,453	50%	1,453	50%
Cement sales volume (mt)	20.6	17.1	21%	45	46%	41	50%
Concrete sales volume (mn cubic meter)	5.9	5.2	13.7%	13	46%	11	52%

Source: Company data, Goldman Sachs Global Investment Research.

Exhibit 18: BBMG quarterly results

BBMG														
Rmb mn	**1Q13**	**2Q13**	**3Q13**	**4Q13**	**1Q14**	**2Q14**	**3Q14**	**4Q14**	**1Q15**	**2Q15**	**3Q15**	**4Q15**	**1Q16**	**2Q16**
Revenue	7,725	12,661	9,619	14,784	9,306	11,332	8,159	12,444	7,761	10,295	7,846	15,023	7,431	
Gross profit	1,410	2,963	2,072	3,545	2,175	2,981	1,974	2,839	2,186	2,763	1,753	3,698	1,959	
Gross margin	18.3%	23.4%	21.5%	24.0%	23.4%	26.3%	24.2%	22.8%	28.2%	26.8%	22.3%	24.6%	26.4%	
Net profit	**(61)**	**1,360**	**436**	**1,480**	**214**	**1,167**	**360**	**682**	**146**	**901**	**14**	**956**	**151**	**1525 to 1735**
Cement and clinker ASP (Rmb/t)	237	237	232	231	212	222	214	257	195	195	171	156	146	
Gross profit per tonne (Rmb/t)	8	49	47	42	20	41	38	24	2	29	19	12	-8	
Sales volume (mt)	4	12	12	10	5	13	12	10	5	12	13	9	7	14
Unit cost (Rmb/t)	229	188	185	189	192	181	176	233	193	167	153	144	154	

Source: Company data.

We have adjusted our FY16 assumptions of **cement/concrete sales volume** and **cement ASP** forecast based on 1H16 preliminary results and 1H16 cement price performance in North China without considering the financial impact of the upcoming deal with Jidong. We maintain our estimate of FY16E property GFA booked at +15% yoy, as the company guidance has not changed post the 1H16 profit alert. However, we adjust up FY17E GFA booked to +20% yoy (vs. 15% previously) to reflect higher conviction in the company's execution (BBMG guided pre-sale GFA is expected to grow by 20% in FY16).

Exhibit 19: Earnings revisions

			2015	Previous net income (mn reporting currency)			GSe net income (mn reporting currency)			Consensus (mn reporting currency)			%Chg from prev.			Diff. from cons.			YoY		
Rmb mn Cement	Reporting currency	Ticker	Act.	**2016E**	**2017E**	**2018E**	**2016E**	**2017E**	**2018E**	**2016E**	**2017E**	**2018E**	**2016E**	**2017E**	**2018E**	**2016E**	**2017E**	**2018E**	**2016E**	**2017E**	**2018E**
BBMG	CNY	601992.SS	2,017	**2,842**	**3,203**	**3,229**	**2,875**	**3,391**	**3,425**	2,686	3,154	3,312	1%	6%	6%	7%	8%	3%	42%	18%	1%

Source: Company data, Bloomberg, Goldman Sachs Global Investment Research.

In terms of valuation, we continue to base our 12-month target prices on PB/ROE, and our valuation time-horizon reference is the average in 2012-17E (unchanged) when we calculate sector multiple, intercept and valuation premium/discount.

Our new multiple/intercept for our H-share coverage are 3.1X/0.79 over 2012-17E vs. 2.7X/0.75, previously. Our new multiple /intercept for our A share coverage are 2.4X/1.15 over 2012-17E vs. 1.9X/1.15 previously.

As detailed in Exhibits 19-20, these changes and our estimate revisions result in increases in our 12-month target prices for BBMG A/H to Rmb5.0/HK$3.2 from Rmb4.85/HK$3.0.

Exhibit 20: BBMG H: Target price derivation (PB/ROE)

	BBMG (H)
Sector Valratio (PB vs. ROE)	**3.1**
Intercept	0.79
FY17E ROE	**8%**
Cycle avg ROE (2012-17E)	9.4%
FY17E BVPS (Rmb)	**4.1**
Exchange adjustment	1.07
Valuation prem./disc. adjustment	**-29%**
Last prem./disc. applied	-29%
Historical avg prem. (2012-17E)	-29%
Rationale	In line with historical average
Target price	**HK$ 3.20**
Current price	2.90
Potential upside/downside	***10%***
Previous target prices	3.00
Change from previous	*7%*
Rating	**Buy**
Implied FY17E PBR	**0.7x**
Cycle avg PBR (since listing)	2.1x
Implied FY17 PBR vs. Cycle avg	*-66%*
Current PB	0.7x

Source: DataStream, company data, Goldman Sachs Global Investment Research.

Exhibit 21: BBMG A: Target price derivation (PB/ROE)

	BBMG (A)
Sector Valratio (PB vs. ROE)	**2.4**
Intercept	1.15
FY17E ROE	**8%**
Cycle avg ROE (2012-17E)	9.4%
FY17E BVPS (Rmb)	**4.1**
Exchange adjustment	1.00
Valuation prem./disc. adjustment	**-9%**
Last premium/disc. applied	-8%
Historical avg prem. (2012-17E)	-9%
Rationale	In line with historical average
Target price	**Rmb 5.00**
Current price	4.08
Potential upside/downside	***23%***
Previous target prices	4.85
Change from previous	*3.1%*
Rating	**Buy***
Implied FY17E PBR	**1.21x**
Cycle avg PBR (since listing)	1.4x
Implied FY17 PBR vs. Cycle avg	*-11%*
Current PB	1.0x

Source: DataStream, company data, Goldman Sachs Global Investment Research.

BBMG Corp. (H): Summary financials

Profit model (Rmb mn)	12/15	12/16E	12/17E	12/18E
Total revenue	**40,925.3**	**44,323.7**	**49,245.9**	**51,607.4**
Cost of goods sold	(30,526.0)	(32,552.4)	(36,120.1)	(38,117.9)
SG&A	(4,520.0)	(4,895.3)	(5,438.9)	(5,699.7)
R&D	--	--	--	--
Other operating profit/(expense)	(2,178.4)	(2,359.3)	(2,621.3)	(2,747.0)
EBITDA	**5,014.5**	**5,916.0**	**6,560.8**	**6,641.3**
Depreciation & amortization	(1,313.6)	(1,399.3)	(1,495.2)	(1,598.6)
EBIT	**3,700.9**	**4,516.7**	**5,065.5**	**5,042.7**
Interest income	47.6	49.0	34.8	32.4
Interest expense	(1,383.2)	(1,421.9)	(1,325.2)	(1,276.8)
Income/(loss) from uncons. subs.	(17.6)	0.0	0.0	0.0
Others	834.9	563.1	598.0	618.5
Pretax profits	**3,182.7**	**3,706.9**	**4,373.1**	**4,416.8**
Income tax	(1,231.6)	(926.7)	(1,093.3)	(1,104.2)
Minorities	66.4	94.6	111.6	112.7
Net income pre-preferred dividends	**2,017.5**	**2,874.8**	**3,391.5**	**3,425.3**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**2,017.5**	**2,874.8**	**3,391.5**	**3,425.3**
Post-tax exceptionals	0.0	0.0	0.0	0.0
Net income	**2,017.5**	**2,874.8**	**3,391.5**	**3,425.3**
EPS (basic, pre-except) (Rmb)	0.19	0.27	0.32	0.32
EPS (basic, post-except) (Rmb)	0.19	0.27	0.32	0.32
EPS (diluted, post-except) (Rmb)	0.19	0.27	0.32	0.32
DPS (Rmb)	0.01	0.02	0.03	0.03
Dividend payout ratio (%)	7.9	7.9	7.9	7.9
Free cash flow yield (%)	(11.5)	6.3	7.2	1.4

Balance sheet (Rmb mn)	12/15	12/16E	12/17E	12/18E
Cash & equivalents	11,213.6	6,978.9	5,941.5	6,111.6
Accounts receivable	14,700.4	18,956.5	16,743.6	17,546.5
Inventory	54,007.2	55,339.0	61,404.2	64,800.5
Other current assets	9,414.4	8,864.7	9,849.2	10,321.5
Total current assets	**89,335.6**	**90,139.2**	**93,938.4**	**98,780.0**
Net PP&E	19,390.4	19,932.8	20,595.0	21,257.2
Net intangibles	4,087.3	4,087.3	4,087.3	4,087.3
Total investments	14,444.8	14,444.8	14,444.8	14,444.8
Other long-term assets	3,488.7	3,488.7	3,488.7	3,488.7
Total assets	**130,746.7**	**132,092.7**	**136,554.1**	**142,057.9**
Accounts payable	31,722.5	33,828.3	37,535.8	39,612.0
Short-term debt	26,713.5	24,956.1	23,198.7	23,198.7
Other current liabilities	6,750.6	6,369.1	7,068.9	7,450.4
Total current liabilities	**65,186.6**	**65,153.5**	**67,803.4**	**70,261.1**
Long-term debt	18,888.6	17,646.0	16,403.4	16,403.4
Other long-term liabilities	4,489.7	4,489.7	4,489.7	4,489.7
Total long-term liabilities	23,378.3	22,135.6	20,893.0	20,893.0
Total liabilities	**88,564.8**	**87,289.1**	**88,696.5**	**91,154.1**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**38,083.0**	**40,797.6**	**43,960.8**	**47,116.8**
Minority interest	4,098.9	4,006.0	3,896.8	3,787.0
Total liabilities & equity	**130,746.7**	**132,092.7**	**136,554.1**	**142,057.9**
BVPS (Rmb)	**3.57**	**3.82**	**4.12**	**4.41**

Growth & margins (%)	12/15	12/16E	12/17E	12/18E
Sales growth	(0.8)	8.3	11.1	4.8
EBITDA growth	0.6	18.0	10.9	1.2
EBIT growth	(1.9)	22.0	12.2	(0.5)
Net income growth	(16.7)	42.5	18.0	1.0
EPS growth	(25.4)	42.5	18.0	1.0
Gross margin	25.4	26.6	26.7	26.1
EBITDA margin	12.3	13.3	13.3	12.9
EBIT margin	9.0	10.2	10.3	9.8

Ratios	12/15	12/16E	12/17E	12/18E
CROCI (%)	5.0	5.9	5.8	5.9
ROE (%)	5.8	7.3	8.0	7.5
ROA (%)	1.6	2.2	2.5	2.5
ROACE (%)	3.8	4.9	5.2	5.1
Inventory days	615.0	613.0	589.9	604.2
Receivables days	125.6	138.6	132.3	121.3
Payable days	367.6	367.5	360.6	369.4
Net debt/equity (%)	81.5	79.5	70.3	65.8
Interest cover - EBIT (X)	2.8	3.3	3.9	4.1

Cash flow statement (Rmb mn)	12/15	12/16E	12/17E	12/18E
Net income pre-preferred dividends	2,017.5	2,874.8	3,391.5	3,425.3
D&A add-back	1,313.6	1,399.3	1,495.2	1,598.6
Minorities interests add-back	(66.4)	(94.6)	(111.6)	(112.7)
Net (inc)/dec working capital	(5,370.9)	(482.2)	(144.7)	(2,123.1)
Other operating cash flow	118.0	168.3	(284.7)	(90.8)
Cash flow from operations	**(1,988.2)**	**3,865.5**	**4,345.7**	**2,697.3**
Capital expenditures	(1,792.9)	(1,941.8)	(2,157.4)	(2,260.8)
Acquisitions	0.0	(3,000.0)	0.0	0.0
Divestitures	500.0	0.0	0.0	0.0
Others	(161.8)	0.0	0.0	0.0
Cash flow from investments	**(1,454.6)**	**(4,941.8)**	**(2,157.4)**	**(2,260.8)**
Dividends paid (common & pref)	(239.2)	(160.2)	(228.2)	(269.2)
Inc/(dec) in debt	13,276.0	(3,000.0)	(3,000.0)	0.0
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0
Other financing cash flows	(4,860.1)	1.7	2.4	2.9
Cash flow from financing	**8,176.7**	**(3,158.5)**	**(3,225.8)**	**(266.4)**
Total cash flow	**4,733.8**	**(4,234.7)**	**(1,037.5)**	**170.1**

Valuation	12/15	12/16E	12/17E	12/18E
P/E (analyst) (X)	14.2	9.4	8.3	8.5
P/B (X)	0.8	0.7	0.6	0.6
EV/EBITDA (X)	13.6	11.4	10.0	10.0
EV/GCI (X)	0.8	0.7	0.7	0.6
Dividend yield (%)	0.6	0.8	1.0	0.9

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

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