

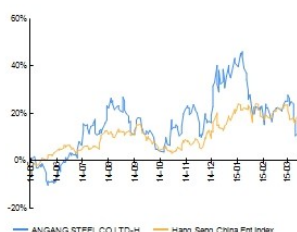
01 April 2015

BUY
Unchanged

Market Data: Mar,31

Closing Price (HK\$)	5.71
Price Target (HK\$)	7.7
HSCEI	12,346
HSCCI	4,650
52-week High/Low (HK\$)	6.96/4.17
Market Cap (US\$m)	4,842
Market Cap (HK\$m)	37,549
Shares Outstanding (m)	7,235
Exchange Rate (Rmb-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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"Angang steel –tempered results"

Oct 28,2014

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基本面即将触底

鞍钢股份 (347:HK)

Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (Rmbm)	75,329	74,046	80,695	83,116	87,272
YoY (%)	(3.11)	(1.70)	8.98	3.00	5.00
Net income (Rmbm)	770	928	1,270	1,729	2,179
YoY (%)	(118.52)	20.52	36.87	36.14	26.00
EPS (Rmb)	0.11	0.13	0.18	0.24	0.30
Diluted EPS (Rmb)	0.11	0.13	0.18	0.24	0.30
ROE (%)	1.48	1.96	2.48	3.27	3.95
Debt/asset (%)	27.08	77.83	63.21	64.46	66.1
Dividend Yield (%)	-	-	0.99	1.20	1.42
PE (x)	42.92	35.61	26.02	19.11	15.17
PB (x)	0.70	0.69	0.65	0.62	0.60
EV/Ebitda (x)	4.51	3.99	3.72	3.48	4.48

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

投资要点：

- 四季度利润下滑，集团14年收入下滑1.7%至740亿人民币，税前利润总额增长116%至15.79亿人民币。税后归属母公司股东净利润增长20.5%至9.28亿元。全年业绩小幅低于预期，主要由于四季度利润较差。
- 生产稳定。集团钢材产量增加3.5%至2005万吨。销售增加5.1%至1999万吨。产品销售均价下滑5.6%至3500元/吨。由于递延所得税调整，公司所得税增加6亿人民币。
- 一季度盈利预警，股价已经反映。公司同时公告一季度盈利预警，由于钢价一季度继续疲弱，公司一季度利润大幅下滑，预计净利润为2000万人民币，较14年一季度2.86亿人民币大幅减少。公司股价自一月高点下滑20%，我们认为已经基本反映业绩下滑的预期。
- 二季度季节性反弹可期。公司基利润环比连续两季度下滑，我们认为一季度见底开始随市场反弹。钢铁需求已经连续3个星期开始提升，正如我们上周报告讨论，我们认为二季度在旺季需求的带动下，钢铁企业盈利能够提升。同时，近期新的地产刺激政策也将有助于需求的提升。
- 股价风险/收益比吸引，维持买入评级。我们下调公司盈利预测至EPS人民币0.18/0.24/0.30，对应2015/16/17年。鞍钢目前股价反应0.62x15年PB。H股股价较A股有28%折价。我们认为目前估值吸引。维持买入评级，目标价7.7港币，有34%上行空间。

Weak results. Angang Steel reports 2014 revenue of Rmb74.05bn (-1.7% YoY) and profit before tax of Rmb1.58bn (+116% YoY). Net profit rose to Rmb928m (+20.5% YoY). The net profit result is slightly lower than both the market (by 5%) and our (by 5%) expectation and suggests 4Q net profit is close to breakeven.

Stable production. Production expands 3.5% to 20.05m tonnes. Sales is up 5.1% to 19.99m tonnes. ASP falls 5.6% to Rmb3,500/t. Due to deferred tax adjustment, tax expenses increased Rmb600mn in 2014 that affected the net profit after tax.

Profit warning in 1Q15 is priced in. Angang also released profit warning. As steel price performance has been weak in 1Q, it estimates 1Q net profit will be Rmb20m vs 1Q14 of Rmb286m. A worsening fundamentals from 4Q to 1Q has been reflected in the falling steel prices. We believe it has been priced in as share price corrected 20% from peak in January.

Seasonal rebound may continue in April. Steel demand has been rising for the past three weeks with increasing orders and deals. Shanghai Rebar purchased volume increased 83% in the same period as well. We believe steel price may continue to rise in April upon seasonal demand rise and profit will expand. Also the new property policies are also positive.

Entry point. We revise down our EPS forecasts from Rmb0.22 to Rmb0.18 in 15E (+36% YoY), from Rmb0.35 to Rmb0.24 in 16E (+36% YoY) and introduce a new forecast of Rmb0.30 in 17E (+26% YoY). Angang is currently trading at 0.62x 15E PB. Its H-share is trading at 28% discount to its A-share peer. We believe the current valuation is an attractive entry point given the seasonal rebound. We maintain our target price of HK\$7.7, with 34% upside we maintain our BUY rating.

APPENDIX

Consolidated Income Statement

Rmbm	2013	2014E	2015E	2016E	2017E
Revenue	75,329	74,046	80,695	83,116	87,272
Cost of Sales	66,929	65,490	71,577	73,308	76,625
Gross Profit	8,400	8,556	9,119	9,808	10,647
Other Income	158	161	145	155	154
Selling/General/Admi. Expenses	5,207	4,281	4,656	5,042	5,288
EBITDA	7,685	8,600	8,713	9,016	9,611
EBIT	3,193	4,275	4,463	4,765	5,359
Finance Costs	1,218	1,272	1,399	1,500	1,500
Profit before tax	728	1,579	1,764	2,275	2,868
Income tax expense	(56)	655	494	546	688
Minority interests	(15)	(4)	0	0	1
Profit for the year	770	928	1,270	1,729	2,179

Consolidated Balance Sheet

Rmbm	2013	2014E	2015E	2016E	2017E
Current Assets	29,299	26,624	28,205	31,840	32,022
Bank balances and cash	1,126	1,712	9,247	9,247	9,247
Trade and other receivables	15,817	14,047	13,151	13,076	13,113
Inventories	12,356	10,865	11,000	11,000	11,000
Other current assets	0	0	0	0	0
Long-term investment	3,128	3,135	3,050	3,050	3,050
PP&E	45,452	46,122	45,550	45,550	45,550
Intangible and other assets	6,147	6,234	6,350	6,350	6,350
Total Assets	92,865	91,291	91,328	95,121	95,296
Current Liabilities	37,805	36,751	37,131	39,572	37,386
Borrowings	9,241	14,672	11,957	13,314	12,635
Trade and other payables	21,292	14,378	16,170	17,252	15,746
Other current liabilities	7,272	7,701	9,005	9,005	9,005
Long-term liabilities	7,970	6,344	3,019	2,641	2,816
Total Liabilities	45,775	43,095	40,150	42,213	40,202
Minority Interests	64	1,612	1,612	1,612	1,613
Shareholder Equity	47,090	48,196	51,178	52,908	55,094
Share Capital	7,235	7,235	7,235	7,235	7,235
Reserves	34,716	34,734	35,035	35,035	35,037
Equity attributable	5,054	5,787	7,252	8,981	11,161
Total Liabilities and equity	92,865	91,291	91,328	95,121	95,296

Consolidated Cash flow

Rmbm	2013	2014E	2015E	2016E	2017E
Profit before taxation	1,030	1,579	1,764	2,275	2,868
Plus: Depr. and amortisation	4,492	4,325	4,250	4,251	4,252
Finance cost	1,612	1,272	1,399	1,500	1,500
Losses from investments	(412)	(673)	(555)	(555)	(555)
Change in working capital	(1,348)	4,351	(3,387)	75	587
Others	1,000	958	966	967	968
CF from operating activities	5,374	10,854	3,472	7,546	8,652
CAPEX	(2,000)	(2,150)	(2,111)	(2,111)	(2,111)
Other CF from investing activities	0	0	0	0	0
CF from investing activities	(2,000)	(2,150)	(2,111)	(2,111)	(2,111)
Equity financing	0	0	0	0	0
Net change in liabilities	3,000	3,145	3,105	3,106	3,107
Dividend and interest paid	(2,321)	(2,423)	(2,347)	(2,364)	(2,378)
Other CF from financing activities	352	300	300	301	302
CF from financing activities	1,031	1,022	1,058	1,043	1,031
Net cash flow	2,343	7,682	303	4,392	5,510

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Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

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