



Rating
Buy

Asia
Hong Kong

Resources
Construction Materials

Company
CR Cement Alert

Reuters 1313.HK	Bloomberg 1313 HK	Exchange HKG	Ticker 1313
ADR Ticker CARCY	ISIN US16949M1018		

Date
8 March 2015

Results

Price at 6 Mar 2015 (HKD)	4.70
Price target - 12mth (HKD)	5.30
52-week range (HKD)	6.30 - 4.54
HANG SENG INDEX	24,164

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FY14 inline; balance sheet improves and dividend payout increases

Bottom line up 26% yoy

CRC announced its FY14 results after the market close on March 6 with NPAT of HKD4.2bn or EPS of HKD0.64/sh, up 26% yoy, inline with DB and consensus estimates. Top line for CRC also grew by 11% yoy to HKD32.7bn. The highlights of the results are 1) an increase in profitability with GP/t rising to HKD110/t, up 19% yoy; 2) Net gearing falling to 57% from 67% in 1H14 and 3) increased dividend payout to 26% from 21% in FY13. However, what could have been a stellar set of results were dragged by an exchange loss of HKD35.1m (versus an exchange gain of HKD416.3m in FY13) due to RMB depreciation and effective tax rate rising by 4.3ppt to 28.3% as certain subsidiaries incurred losses.

Margin contraction in 2H14 due to property slowdown

In FY14, CRC's sales volume grew by 4% yoy while ASPs rose by 6% yoy. This was mainly driven by strong sales in its core regions of Guangdong and Hainan (c.48% of volumes) where sales volumes rose by 26% and 25% and prices rose by 8% and 17% respectively. In CRC's other regions such as Shanxi and Yunnan, prices retracted sharply falling by 22% and 13% respectively. Due to the slowdown in the property sector and cement inflows from other regions, GP/t for CRC fell from HKD119/t in 1H14 to HKD103/t in 2H14.

Outlook for 2015

We expect CRC's earnings to decline yoy on margin contraction and slower sales volume growth after a high base in 2014. Yet, we maintain our BUY rating with TP of HKD5.30 as CRC is exposed to the best supply-demand region of South China. We believe CRC will continue to adopt a prudent expansion strategy with the flexibility to grow organically with 10 more licenses on hand. In addition, its solid balance sheet enables them to grasp further M&A opportunities as they arise.

CRC will host an analyst briefing on March 9 at 10:15am in 50/F China Resources Building. We will revisit our earnings estimate post the briefing.

Stock data

Market cap (HKDm)	30,641
Market cap (USDm)	3,950
Shares outstanding (m)	6,519.3
Major shareholders	China Resources National Corporation (73.34%)
Free float (%)	27
Avg daily value traded (USDm)	6.1

Source: Deutsche Bank

Key data

FYE 12/31	2013A	2014E	2015E
Sales (HKDm)	29,341	32,440	32,926
Net Profit (HKDm)	3,338.4	4,309.3	3,837.9
DB EPS (HKD)	0.51	0.66	0.59
PER (x)	9.3	7.1	8.0
Yield (net) (%)	2.2	3.5	3.1

Source: Deutsche Bank

Figure 1: CRC's operating data

	FY13	FY14	% yoy	1H14	2H14	% HoH
Sales volume (mt)	75	78	4%	35	43	25%
ASP (HKD/t)	314	333	6%	348	321	-8%
GP/t (HKD/t)	93	110	19%	119	103	-14%

Source: Deutsche Bank, Company data

Deutsche Bank AG/Hong Kong

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