

10 March 2015

Outperform  
Unchanged

## 2014 业绩略逊预期，盈利触底

理文造纸 (2314:HK)

### Market Data: Mar, 09

Closing Price (HK\$)	3.91
Price Target (HK\$)	4.6
HSCEI	11,675
HSCCI	4,535
52-week High/Low (HK\$)	5.00/3.80
Market Cap (USD Mn)	2,332
Market Cap (HK\$ Mn)	18,095
Shares Outstanding (Mn)	4,670
Exchange Rate (RMB-HK\$)	1.26

### Price Performance Chart:



Source: Bloomberg

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### Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue	16,970	17,099	19,424	20,010	20,766
YoY (%)	15.3	0.8	13.6	3.0	3.8
Profit for the year	1,948	1,904	2,205	2,404	2,539
YoY (%)	44.2	(2.2)	15.8	9.0	5.7
Earnings per share	0.42	0.41	0.47	0.51	0.54
Diluted EPS	0.41	0.41	0.47	0.51	0.54
ROE	14.7	10.9	11.7	11.7	11.5
Debt-to-asset ratio	47.6	49.7	39.8	45.9	49.0
Dividend yield (%)	4.6	3.6	4.2	4.6	4.8
PE	9.6	9.6	8.3	7.6	7.2
PB	1.1	1.05	1.0	0.9	0.8
EV/Ebitda	9.2	9.4	7.9	7.2	6.4

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

净利润低于彭博一致预期 3.7% 理文造纸 (2314:HK) 2014 财年净利润为港币 1904 百万元 (同比减少 2.3%)，每股净利润为港币 0.41 元 (同比减少 2%)。2014 年每股净利润比彭博一致预期的港币 0.42 元低 3.7%

单位净利环比降低；销量强劲 公司 2014 年下半年吨净利为每吨 372 港币，环比 14 年上半年每吨减少 8 元，同比 13 年下半年每吨减少 2 元。理文 2014 年下半年的销量为 2.66 百万吨，环比 14 年上半年增长了 11%，2014 年全年销量为 5.06 百万吨 (同比增长 2.4%)。2014 年较弱的净利润主要是因为低于预期的需求和受人民币贬值影响的体现出更低的港币吨售价，导致了吨毛利下滑。

稳定的杠杆率和改善的固定资本支出 公司的 2014 年 12 月底的净负债率为 62%，比 13 年同期的 63% 与 2014 年 6 月的 69% 均略有降低。2014 年的固定资本支出为港币 23 亿元，对比 2013 年的 22 亿元。公司打算分别削减 2015 年资本支出约 22% 至港币 18 亿元，削减 2016 年资本开支 48% 至 12 亿港元，从而公司的自由现金流将在未来逐年得到改善。这再次验证了我们认为箱板纸行业的固定资本支出增速在 2014 年到达顶峰的判断。此外，公司管理层认为 2015 的吨毛利和净负债率将维持稳定。基于公司现金充裕，理文很有可能在未来考虑回购股票，从而形成对股价的正面支撑。

调低目标价，维持增持评级 为了反映宏观经济减速带动需求减弱所导致的较低吨盈利，我们调低了 2015 年每股净利润预测约 4.7%，从原来的港币 0.49 元至目前的 0.47 元 (同比增长 15.8%)，调低 2016 年每股净利润预测约 1.2%，从原来的港币 0.52 元至目前的 0.51 元 (同比增长 9.0%)。同时，我们将目标价从原来的港币 5.5 元调至港币 4.6 元，反映了 1.1 倍的 2015 年市净值。股价已经包含了需求减速对供需关系带来的负面影响，我们坚持认为造纸行业 2014 年资本支出缩减将带来最早从 2015 年下半年开始的供给驱动的毛利上行周期。基于 18% 的上浮空间，我们维持增持评级。

**Net profit miss.** Lee & Man Paper reported 2014 net profit of HK\$1.9bn (-2.3% YoY) and EPS of HK\$0.41(-2.0% YoY), 3.7% below Bloomberg consensus forecasts of HK\$0.42. We attribute the soft earnings mainly to low average selling price (ASP) as a result of weaker-than-expected demand and depreciation of the renminbi.

**Lower net dollar margin; higher sales volume.** The company recorded unit net dollar margin of HK\$372/t in 2H14, down HK\$8/t HoH and HK\$2/t YoY. The company recorded 2H14 sales of 2.66mt, up 11% HoH, bringing full year sales to 5.06mt (+2.4% YoY).

**Stable net gearing and improving Capex.** Net gearing was largely stable at 62% by end-December 2014, vs 63% at end-2013 and 69% in mid-2014. Capex in 2014 was HK\$2.3bn, vs HK\$2.2bn in 2013. The company plans to cut Capex by 22% to HK\$1.8bn in 2015 and by 48% to HK\$1.2bn in 2016, implying the firm's free cash flow should improve over the coming two years. This supports our view that Capex in the containerboard industry peaked in 2014. In addition, management expects margin and net gearing to remain stable in 2015. With abundant cash on hand, we expect the company to consider instituting a programme of share buy-backs, which would provide support for the company's stock price.

**Lower target price, maintain Outperform** We revise down our EPS forecasts by 4.7% from HK\$0.49 to HK\$0.47 in 15E (+15.8% YoY) and by 1.2% from HK\$0.52 to HK\$0.51 in 16E (+9.0% YoY) to reflect the weaker ASP amid slack demand as the broader economic growth appears set to remain sluggish. We accordingly lower our target price from HK\$5.50 to HK\$4.60, reflecting 1.1x 15E PB. With the negative outlook being priced into the share price, we still expect a supply-driven margin up-cycle to start in 2H14 based on the industry's Capex cycle. With 18% upside, we maintain our Outperform rating.

**Fig 1: 2014 LMP's unit data forecasts**

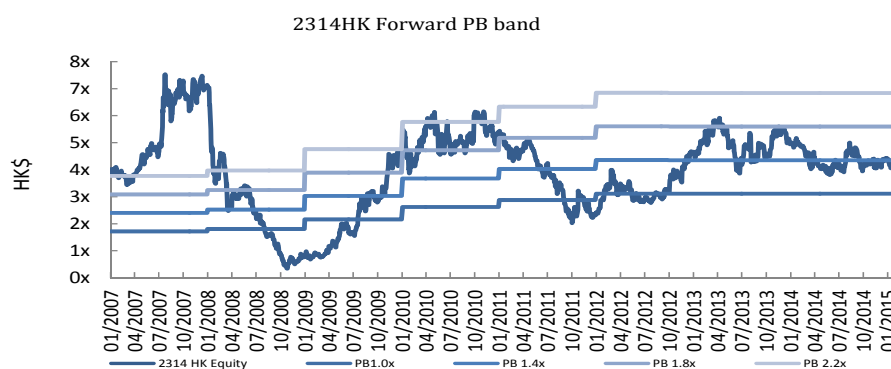
Unit data, HK\$/t	1H2014	2H2014	2014	2015E	2016E	2017E
Volume, '000	2,400	2,663	5,063	5,630	5,750	5,950
ASP	3,510	3,301	3,377	3,450	3,480	3,490
ACP	2,853	2,697	2,771	2,850	2,850	2,850
Gross profit	657	605	607	600	630	640
Other Income	64	90	77	70	70	71
SG&A	192	217	205	195	195	195
-SG	65	65	65	65	65	65
-Admin	127	152	140	130	130	130
Ebit/capacity	480	477	479	475	505	516
Finance cost	47	38	42	30	30	31
Tax	52	67	60	53	57	58
Effective tax %	12%	15%	14%	12%	12%	12%
Net profit/capacity	380	372	376	392	418	427
Net profit (HK\$m)	913	992	1,904	2,205	2,404	2,539

Source: Company, SWS Research

**Fig 2: We revise down our earnings forecasts**

(HK\$)	New		Old		Change	
Year to December	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Volume ('000t)	5630	5750	5500	5700	2.4%	0.9%
Gross profit (HK\$m)	600	630	635	640	-5.5%	-1.6%
Overall unit net profit (HK\$/t)	392	418	422	427	-7.3%	-2.1%
Net profit, ( HK\$m)	2,205	2,404	2,323	2,433	-5.1%	-1.2%
EPS	0.47	0.51	0.49	0.52	-4.7%	-1.2%

Source: Company, SWS Research

**Fig 3: LMP PB**


Source: Bloomberg, SWS Research

## APPENDIX

### Consolidated Income Statement

HK\$m	2013	2014	2015E	2016E	2017E
<b>Revenue</b>	16,970	17,099	19,424	20,010	20,766
<b>Cost of Sales</b>	14,084	14,028	16,046	16,388	16,958
<b>Gross Profit</b>	2,886	3,072	3,378	3,623	3,808
<b>Other Income</b>	380	426	394	403	422
Distribution expenses	312	330	366	374	387
Administrative expenses	622	709	732	748	774
<b>EBITDA</b>	2,992	3,120	3,374	3,606	3,775
<b>EBIT</b>	2,341	2,424	2,674	2,904	3,070
Finance Costs	149	215	169	173	184
<b>Profit before tax</b>	2,192	2,209	2,505	2,731	2,886
Income tax expense	244	305	301	328	346
<b>Profit for the year</b>	1,948	1,904	2,205	2,404	2,539

Source: Company, SWS Research

### Consolidated Cash Flow Statement

HK\$m	2013	2014	2015E	2016E	2017E
<b>Profit before taxation</b>	2,731	2,209	2,505	2,731	2,886
Plus : Depr. and amortisation	651	696	700	703	705
Finance cost	173	215	169	173	184
Losses from investments	0	(0)	0	0	0
Change in working capital	(301)	(347)	(420)	(473)	(508)
Others	(328)	(233)	(301)	(328)	(346)
<b>CF from operating activities</b>	3,242	2,539	2,835	3,265	3,371
CAPEX	(1,800)	(2,300)	(1,800)	(1,200)	(800)
Other CF from investing activities	(181)	(17)	59	(67)	(74)
<b>CF from investing activities</b>	(1,981)	(2,317)	(1,741)	(1,267)	(874)
Equity financing	0	0	0	0	0
Net change in liabilities	1,593	1,871	(3,633)	2,496	1,380
Dividend and interest paid	(841)	(771)	(772)	(841)	(889)
Other CF from financing activities	0	(0)	(9)	(8)	(7)
<b>CF from financing activities</b>	(841)	1,100	(772)	(841)	(889)
<b>Net cash flow</b>	419	1,322	322	1,156	1,608

Source: Company, SWS Research

### Consolidated Balance Sheet

HK\$m	2013	2014	2015E	2016E	2017E
<b>Current Assets</b>	9,460	11,217	10,690	10,972	12,461
Bank balances and cash	711	2,033	731	731	2,852
Trade and other receivables	5,582	5,891	6,341	6,532	6,095
Inventories	3,123	3,258	3,572	3,648	3,394
Long-term investment	86	93	86	86	86

PP&E	20,830	22,465	22,582	23,090	23,197
Intangible and other assets	864	997	951	1,019	1,139
<b>Total Assets</b>	<b>31,195</b>	<b>34,737</b>	<b>34,262</b>	<b>35,107</b>	<b>36,764</b>
Current Liabilities	8,897	10,314	7,188	9,389	11,578
Borrowings	5,661	1,150	1,150	1,151	1,152
Trade and other payables	3,165	3,262	3,606	3,683	3,427
Other current liabilities	70	353	106	2,846	5,299
Long-term liabilities	5,939	6,942	6,435	6,730	12,687
<b>Total Liabilities</b>	<b>14,836</b>	<b>17,256</b>	<b>13,623</b>	<b>16,120</b>	<b>24,265</b>
Minority Interests	0	0	0	0	0
<b>Shareholder Equity</b>	<b>16,346</b>	<b>17,477</b>	<b>18,910</b>	<b>20,472</b>	<b>19,673</b>
Share Capital	117	117	117	117	117
Reserves	16,229	17,360	18,793	20,356	19,556
<b>Total Liabilities and equity</b>	<b>31,195</b>	<b>34,737</b>	<b>34,262</b>	<b>35,107</b>	<b>36,764</b>

Source: Company, SWS Research

**Key Financial Ratios**

	2013	2014	2015E	2016E	2017E
<b>Ratios per share (yuan)</b>					
Earnings per share	0.42	0.41	0.47	0.51	0.54
Diluted EPS	0.41	0.41	0.47	0.51	0.54
Operating CF per share	0.69	0.65	0.61	0.69	0.72
Dividend per share	0.18	0.14	0.16	0.18	0.19
Net assets per share	3.48	3.72	4.39	4.54	4.97
<b>Key Operating Ratios(%)</b>					
ROIC	7.3	7.2	8.8	9.8	11.2
ROE	14.7	10.9	11.7	11.7	11.5
Gross profit margin	18.1	18.0	17.4	18.1	18.3
EBITDA Margin	17.6	18.2	17.4	18.0	18.2
EBIT Margin	14.1	19.9	21.0	22.0	23.0
Growth rate of Revenue(YoY)	15.3	0.8	13.6	3.0	3.8
Growth rate of Profit(YoY)	44.2	(2.2)	15.8	9.0	5.7
Debt-to-asset ratio	47.6	49.7	39.8	45.9	49.0
Turnover rate of net assets	1.0	1.0	0.9	1.1	1.1
Turnover rate of total assets	0.5	0.5	0.6	0.6	0.6
Effective tax rate (%)	12.0	13.8	12.0	12.0	12.0
Dividend yield (%)	4.6	3.6	4.2	4.6	4.8
<b>Valuation Ratios (X)</b>					
P/E	9.6	9.6	8.3	7.6	7.2
P/B	1.1	1.1	0.97	0.9	0.8
EV/Sales	1.7	1.7	1.4	1.3	1.2
EV/EBITDA	9.2	9.4	7.9	7.2	6.4

Source: Company, SWS Research

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