

Last Close: HK\$7.98

Upside: -13%

Target Price: HK\$8.80↓

Consumer Staples Sector

Want Want (151 HK)

Look beyond the calendar impact; focus on revenue

UP MP OP

Beyond the calendar impact, we believe Want Want's real issue lies with its decreasing attractiveness of its old signature products while new appealing products have yet to materialize amid escalated competition. Despite Want Want's sustained dominance in the rice cracker sector, the rice cracker as a category could lose share to other leisure foods. A similar case could apply to Hot-kid sugar milk. As highlighted before, the consumer preference shift to shorter shelf-life dairy products, combined with rivals' more aggressive promotion, could cloud Want Want's dairy sales outlook. At present, only a tiny part of Want Want's dairy products use fresh raw milk (procured from domestic players including Shengmu (1432 HK, BUY, TP HK\$4.20)). And we do not think Want Want will dramatically change its business model given New Zealand milk powder's obvious cost advantage over Chinese raw milk. In light of the declining revenue visibility (stripping out the calendar factor), we stay negative on Want Want with TP lowered to HK\$8.80 (from HK\$9.40) on 20.8x (same 20% valuation discount to Tingyi) our revised 2015E EPS estimate. Key things to watch include market feedback on Want Want's major new SKUs and the growth momentum of its old star products. Better-than-expected sell-through along with efficient SKU penetration may prompt us to upgrade Want Want. We are also monitoring any trading opportunity of the stock.

Weaker-than-expected 2014 results. Want Want's net profit dropped by 10% YoY, at the worst end of the company guidance (down mid-to-high single digit) in its Feb profit alert. Total revenue recorded 1% decline, due to unfavorable CNY date for rice cracker and slower milk sell-through partly on price hike. Blended gross margin narrowed by 1.3 pts to 40.2%, mainly dragged by higher milk powder costs (up 27.4% YoY). Coupled with the rising A&P ratio (+0.7 ppt to 3.7% of sales, though still lower than expected) and salary hike, operating margin squeezed by 2.6 pts to 20.6%. Inventory turnover went up 16 days to 97 days in 2014, explained by weaker milk sales and higher costs of milk powder. Dividend payout was cut to 51% (vs 60%-70% in 2011-13) as a result of higher capex (peaked at US\$354m in 2014) and share repurchase. The company remained at a net cash position (net gearing: -11%). See our detailed earnings review and forecast revision for Want Want on pages 2-5.

More investment in terminal channels in 2015. Management showed less optimism about its dairy sales in 1Q15, due to high base (historical peak in Jan 2014 after short supply in 3Q13) and heightened competition. To regain sales momentum, in addition to product upgrade, Want Want intends to (1) increase in-store display and promoters (doubling the number) in modern channels; (2) adopt a more flexible distributorship (with less bundling sales, in our estimate); (3) re-launch "logistics distributors" for better coverage of smaller POS (<200 sqm); and (4) penetrate ecommerce (under 1% of revenue now). We are positive on these endeavors. And we note that Want Want's distribution costs have been low (under 13% of revenue in the past 10 years) compared with other FMCG players. The consistent investment in branding and marketing should help Want Want trigger more consumer purchases and thus potentially enhance the company's revenue visibility.



Stock data

52w Low-High (HK\$)	7.94-13.10
Market cap (US\$m)	13,559
3m ADTV (US\$m)	19
No. of shares (m)	13,192
Free float	45%
1m change	-12%
YTD change	-22%
Auditor	PwC

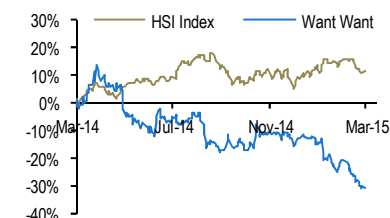
Source: Bloomberg, Company data

Financial highlights

	12-15E	12-16E	12-17E
Revenue (US\$m)	4,046	4,403	4,732
Revenue growth	7%	9%	7%
Gross margin	43.2%	43.4%	44.0%
Operating margin	22.9%	23.2%	24.0%
Net profit (US\$m)	723	801	884
Diluted EPS (US\$)	0.055	0.061	0.067
EPS growth	17%	11%	10%
P/E	23.6x	21.3x	19.3x
P/B	6.9x	6.1x	5.4x
P/S	4.2x	3.9x	3.6x
ROE (average)	31.9%	30.4%	29.8%
Dividend yield	2.8%	3.1%	3.4%

Source: Company data, BOCOM Int'l estimates

1-year stock performance



Source: Bloomberg

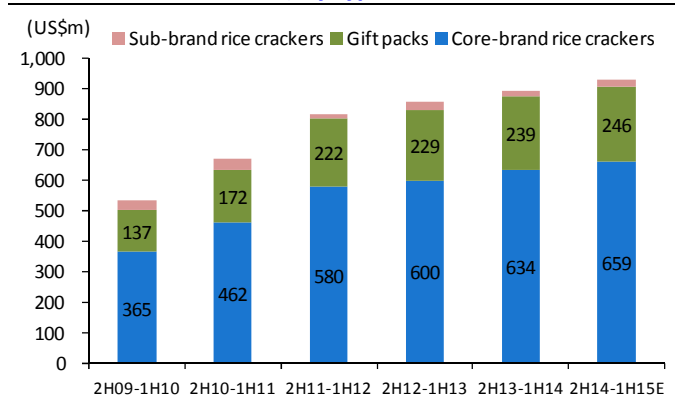
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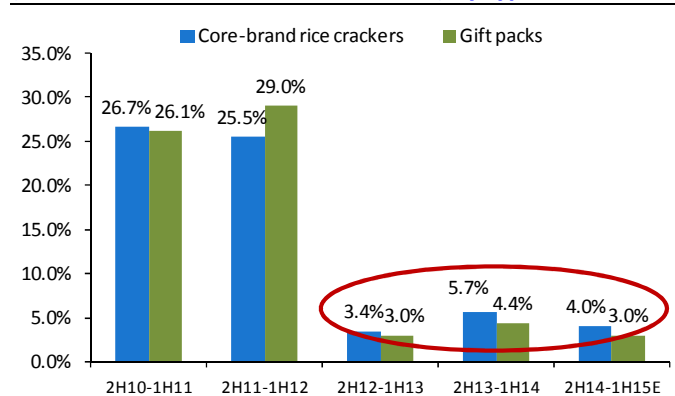
Looking beyond the calendar impact, we note that Want Want's rice cracker sales have moderated over recent years (from high twenties to low to mid single digit growth), implying ongoing consumer taste shift amid a more affluent leisure food market in China. Together with potentially less corporate purchase on gift packs, we think Want Want's rice cracker sales growth (excluding favorable/unfavorable calendar effect) could stabilize at low to mid single digit ahead (until the emergence of some real news striking products), in our view. Thanks to a favorable 2015 calendar, we anticipate 10% rice cracker revenue growth in the full 2015E.

Figure 1: Want Want's rice cracker sales (EXCLUDING Chinese New Year effect) by type 2H09-1H15E



Source: Company data, BOCOM Int'l estimates

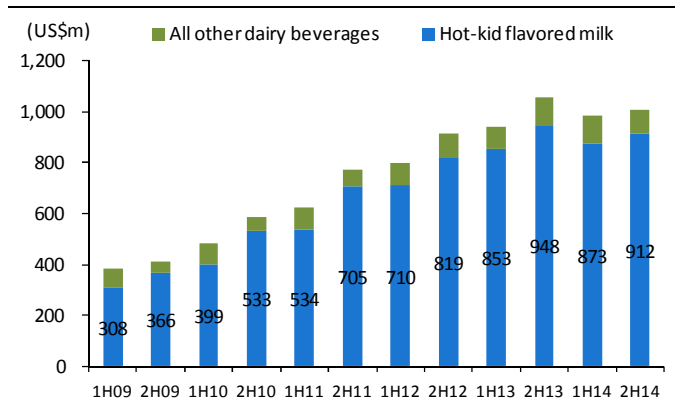
Figure 2: Want Want's rice cracker sales growth (EXCLUDING Chinese New Year effect) by type 2H09-1H15E



Source: Company data, BOCOM Int'l estimates

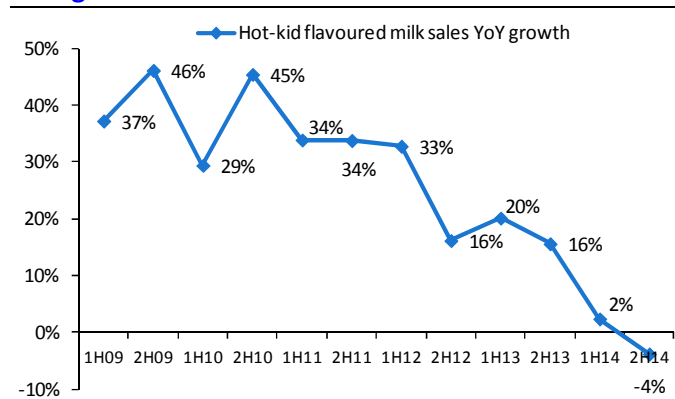
We anticipate a challenging year for Hot-kid flavored milk revenue in 2015. Though we recognize Want Want's efforts to launch new UHT yogurt, UHT juice, low-temperature yogurt (in cooperation with Morinaga) and budding, we believe this will not immediately alter the product concentration risk of Want Want (with Hot-kid milk accounting for c90% of its dairy/beverage segment sales). More importantly, as a large majority of Want Want's Hot-kid milk uses milk powder (instead of fresh milk) given the former's cost advantage, which could continue to drive (pickier and smarter) consumers away from Want Want's dairy beverages, In our opinion.

Figure 3: Want Want's dairy beverage sales by type 1H09-2H14



Source: Company data, BOCOM Int'l

Figure 4: Want Want's signature Hot-kid flavored milk sales growth 1H09-2H14



Source: Company data, BOCOM Int'l

Figure 5: Want Want's interim results review 1H09-2H14

(US\$m, Year ending 31 Dec)	1H09	2H09	1H10	2H10	1H11	2H11	1H12	2H12	1H13	2H13	1H14	2H14
Total Revenue	798	913	1,002	1,242	1,279	1,667	1,528	1,831	1,754	2,063	1,853	1,923
YoY growth	13%	8%	26%	36%	28%	34%	19%	10%	15%	13%	6%	-7%
Rice crackers	170	298	236	393	279	538	277	535	320	590	304	508
YoY growth	-25%	-11%	38%	32%	18%	37%	0%	-1%	15%	10%	-5%	-14%
Core-brand rice crackers	135	179	186	235	227	328	251	327	273	360	274	347
Gift packs	21	103	34	139	33	200	23	195	34	215	24	151
Sub-brand rice crackers	14	16	16	19	18	11	3	13	13	15	7	10
Dairy beverages	384	414	482	585	623	770	796	912	942	1,057	987	1,006
YoY growth	58%	42%	26%	42%	29%	32%	28%	18%	16%	2%	5%	-5%
Hot-kid flavored milk	308	366	399	533	534	705	710	819	853	948	873	912
All other dairy/beverages	76	47	83	53	89	65	87	93	90	109	114	94
Snack foods	240	195	274	257	369	354	450	380	488	412	558	405
YoY growth	3%	-9%	14%	32%	35%	37%	22%	7%	8%	8%	14%	-2%
Gross profit	308	384	382	463	422	603	566	762	724	862	747	772
YoY growth	17%	16%	24%	21%	11%	30%	34%	26%	28%	13%	3%	-10%
Blended gross margin	38.6%	42.1%	38.1%	37.3%	33.0%	36.2%	37.1%	41.6%	41.2%	41.8%	40.3%	40.2%
Change in ppts	1.4%	2.7%	-0.5%	-4.8%	-5.1%	-1.1%	4.1%	5.4%	4.2%	0.2%	-0.9%	-1.6%
Rice crackers	41.5%	45.6%	42.0%	40.1%	32.1%	40.4%	35.2%	41.0%	35.6%	43.6%	38.6%	40.7%
Dairy beverages	34.0%	37.9%	34.4%	34.8%	33.8%	33.1%	36.4%	42.2%	42.5%	40.2%	38.5%	38.3%
Snack foods	44.4%	46.9%	42.0%	39.5%	32.8%	36.3%	39.6%	41.3%	42.7%	43.4%	45.2%	44.5%
Operating profit	138	218	195	244	204	319	298	413	397	486	395	382
YoY growth	-8%	39%	42%	12%	4%	31%	46%	29%	33%	18%	-1%	-21%
Operating margin	17.3%	23.9%	19.5%	19.6%	15.9%	19.1%	19.5%	22.5%	22.6%	23.6%	21.3%	19.9%
Change in ppts	-3.8%	5.3%	2.2%	-4.3%	-3.6%	-0.5%	3.6%	3.4%	3.1%	1.0%	-1.3%	-3.7%
Rice crackers	18.7%	27.9%	21.5%	22.1%	12.9%	23.1%	12.4%	20.9%	11.8%	24.9%	16.5%	20.2%
Dairy beverages	14.9%	21.7%	18.5%	20.1%	20.3%	19.2%	23.6%	27.0%	28.9%	27.2%	24.6%	24.4%
Snack foods	26.3%	29.6%	26.0%	21.4%	17.0%	19.7%	22.6%	21.7%	23.9%	21.3%	24.7%	19.1%
% Revenue												
Distribution costs	14.3%	11.9%	13.2%	11.7%	11.6%	11.0%	11.1%	12.0%	12.5%	11.4%	12.8%	12.9%
Admin expenses	8.5%	9.4%	7.2%	7.8%	7.8%	7.9%	8.1%	8.3%	8.5%	8.6%	8.4%	9.0%
Key opex as % of Revenue												
Total staff costs	10.8%	11.7%	11.6%	12.0%	11.9%	11.9%	12.3%	13.2%	14.0%	13.8%	14.0%	14.6%
Staff costs (COGS)	4.4%	4.2%	4.6%	5.1%	5.2%	5.5%	5.1%	5.9%	5.9%	6.2%	5.7%	6.3%
Staff costs (Opex)	6.4%	7.5%	7.0%	6.8%	6.7%	6.4%	7.2%	7.2%	8.1%	6.8%	8.3%	8.4%
A&P	3.9%	2.6%	3.9%	2.8%	3.0%	2.7%	2.7%	3.2%	3.6%	2.4%	3.9%	3.5%
Transportation	5.2%	4.7%	4.7%	4.4%	4.2%	4.3%	3.9%	4.3%	3.9%	4.1%	3.7%	4.0%
D&A	3.1%	3.0%	2.9%	2.6%	2.8%	2.2%	2.8%	2.5%	2.8%	2.8%	3.2%	3.2%
Depreciation (COGS)	2.3%	1.9%	2.0%	1.8%	1.9%	1.4%	1.9%	1.5%	1.9%	1.8%	2.2%	2.2%
Depreciation (Opex)	0.8%	1.1%	0.9%	0.7%	0.9%	0.8%	0.9%	1.0%	0.9%	0.9%	1.0%	1.0%
Effective tax rate	13.2%	12.9%	18.4%	19.5%	20.1%	23.3%	27.3%	25.1%	26.8%	26.2%	25.4%	25.2%
Net profit	121	192	161	197	167	252	231	323	308	380	318	302
YoY growth	-6%	44%	34%	3%	4%	28%	38%	28%	33%	18%	4%	-20%
Net margin	15.1%	21.0%	16.1%	15.9%	13.1%	15.1%	15.1%	17.6%	17.5%	18.4%	17.2%	15.7%
Change in ppts	-3.0%	5.2%	1.0%	-5.1%	-3.0%	-0.7%	2.1%	2.5%	2.4%	0.8%	-0.3%	-2.7%
Diluted EPS (US\$)	0.009	0.015	0.012	0.015	0.013	0.019	0.017	0.024	0.023	0.029	0.024	0.023
YoY growth	-8%	43%	33%	3%	4%	28%	38%	28%	33%	18%	4%	-20%
DPS (US\$)	0.006	0.015	0.009	0.014	0.006	0.014	0.009	0.020	0.012	0.023	0.012	0.012
Dividend payout	65.6%	103.2%	73.7%	91.1%	47.5%	71.2%	51.6%	80.3%	52.0%	79.0%	50.1%	52.8%
Capex	53	74	71	100	110	113	100	144	133	140	175	179
Capex % of Revenue	6.7%	8.1%	7.1%	8.0%	8.6%	6.8%	6.5%	7.8%	7.6%	6.8%	9.4%	9.3%

Source: Company data, BOCOM Int'l

Earnings forecast revision 2015-17E

We anticipate Want Want to deliver a 13% net profit CAGR on 8% revenue CAGR and margin improvement across 2014-17E, after we revise down our 2015-16E EPS estimate by 5%-6%.

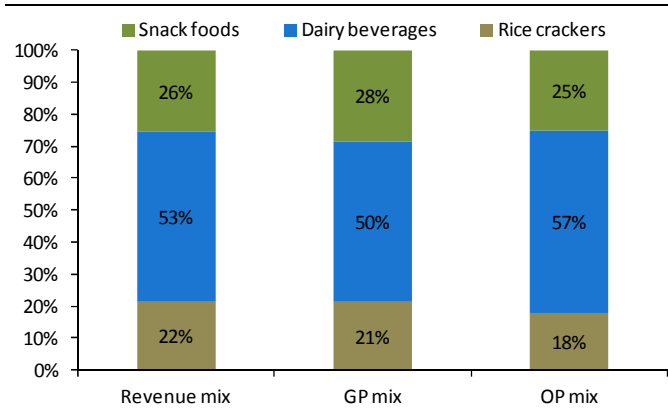
Key things to watch include: (1) market feedback on Want Want's key new SKU; (2) growth momentum of its old star products; (3) raw material trend in 2H15. Better-than-expected sell-through (especially key new products) alongside effective SKU penetration may prompt us to upgrade Want Want.

Figure 6: New earnings forecast on Want Want 2015-17E

(US\$m, Year ending 31 Dec)								New			Revision	
	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	2015E	2016E
Total Revenue	1,554	1,711	2,244	2,947	3,359	3,818	3,775	4,046	4,403	4,732	-4%	-4%
YoY growth	42.0%	10.1%	31.2%	31.3%	14.0%	13.7%	-1.1%	7.2%	8.8%	7.5%		
Rice crackers	561	468	629	817	812	910	812	894	985	1,024	0%	6%
YoY growth	49.1%	-16.6%	34.3%	30.0%	-0.6%	12.0%	-10.8%	10.1%	10.2%	4.0%		
Dairy beverages	536	798	1,067	1,394	1,709	1,999	1,993	2,103	2,273	2,458	-4%	-5%
YoY growth	37.3%	48.9%	33.8%	30.6%	22.6%	17.0%	-0.3%	6.0%	8.1%	8.1%		
Snack foods	448	435	531	723	830	900	963	1,041	1,136	1,240	-7%	-8%
YoY growth	41.0%	-2.8%	22.0%	36.1%	14.8%	8.4%	7.0%	8.1%	9.1%	9.1%		
Other products	9	10	17	13	8	9	8	8	9	9		
Gross profit	597	692	845	1,025	1,328	1,586	1,519	1,746	1,909	2,084	-3%	-3%
YoY growth	36.7%	16.0%	22.0%	21.3%	29.6%	19.4%	-4.2%	14.9%	9.4%	9.1%		
Blended gross margin	38.4%	40.5%	37.6%	34.8%	39.5%	41.5%	40.2%	43.2%	43.4%	44.0%	↑	↑
Change in ppts	-1.5%	2.1%	-2.8%	-2.9%	4.8%	2.0%	-1.3%	2.9%	0.2%	0.7%		
Rice crackers	39.7%	44.1%	40.8%	37.6%	39.0%	40.8%	39.9%	40.1%	40.9%	41.5%		
Change in ppts	1.0%	4.4%	-3.3%	-3.2%	1.4%	1.8%	-0.9%	0.2%	0.8%	0.6%		
Dairy beverages	33.0%	36.0%	34.6%	33.4%	39.5%	41.3%	38.4%	43.6%	43.6%	43.5%		
Change in ppts	-5.5%	3.0%	-1.4%	-1.2%	6.1%	1.8%	-2.9%	5.2%	0.0%	-0.2%		
Snack foods	43.6%	45.5%	40.8%	34.5%	40.4%	43.0%	44.9%	45.1%	45.2%	45.2%		
Change in ppts	-0.3%	1.9%	-4.7%	-6.3%	5.9%	2.6%	1.9%	0.2%	0.1%	0.0%		
Operating profit	307	356	439	522	711	883	777	926	1,021	1,134	-5%	-4%
YoY growth	34.7%	16.1%	23.4%	19.0%	36.0%	24.3%	-12.0%	19.2%	10.3%	11.0%		
Operating margin	19.7%	20.8%	19.6%	17.7%	21.2%	23.1%	20.6%	22.9%	23.2%	24.0%		
Change in ppts	-1.1%	1.1%	-1.2%	-1.8%	3.4%	2.0%	-2.6%	2.3%	0.3%	0.8%		
% Revenue												
Distribution costs	13.0%	13.0%	12.4%	11.3%	11.6%	11.9%	12.9%	13.3%	13.2%	13.2%	↑	↓
Admin expenses	8.2%	9.0%	7.5%	7.9%	8.2%	8.5%	8.7%	8.8%	8.8%	8.7%	↑	↑
Staff costs (excl. labor costs)	7.6%	7.0%	6.9%	6.5%	7.2%	7.8%	8.3%	8.4%	8.4%	8.4%		
Transportation	5.4%	4.9%	4.5%	4.2%	4.1%	4.0%	3.9%	3.9%	3.8%	3.8%		
A&P	2.8%	3.2%	3.3%	2.8%	3.0%	3.0%	3.7%	4.0%	4.0%	4.0%		
Total D&A	2.9%	3.0%	2.7%	2.5%	2.6%	2.8%	3.2%	3.2%	3.1%	3.1%		
Effective tax rate	15.1%	13.0%	19.0%	22.0%	26.0%	26.5%	25.3%	26.0%	26.0%	26.0%		
Net profit	263	313	358	419	554	687	621	723	801	884	-6%	-5%
YoY growth	30.6%	19.0%	14.6%	17.0%	32.0%	24.1%	-9.7%	16.5%	10.8%	10.4%		
Net margin	16.9%	18.3%	16.0%	14.2%	16.5%	18.0%	16.4%	17.9%	18.2%	18.7%		
Change in ppts	-1.5%	1.4%	-2.3%	-1.7%	2.3%	1.5%	-1.6%	1.4%	0.3%	0.5%		
Diluted EPS (US\$)	0.020	0.024	0.027	0.032	0.042	0.052	0.047	0.055	0.061	0.067	-6%	-5%
YoY growth	27.8%	18.2%	14.6%	17.0%	32.0%	24.1%	-9.6%	16.6%	10.8%	10.4%		

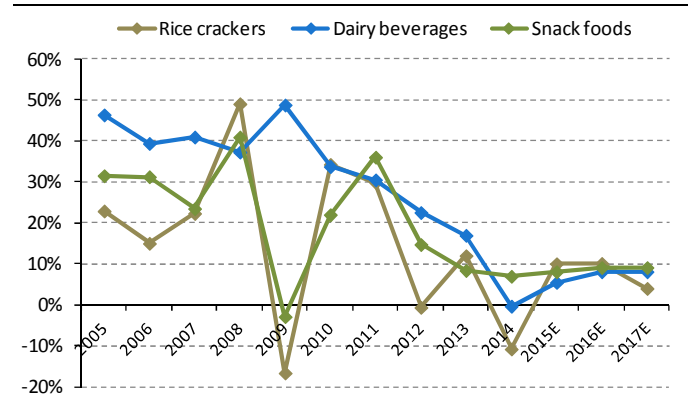
Source: Company data, BOCOM Int'l estimates

Figure 7: Want Want's business mix 2014



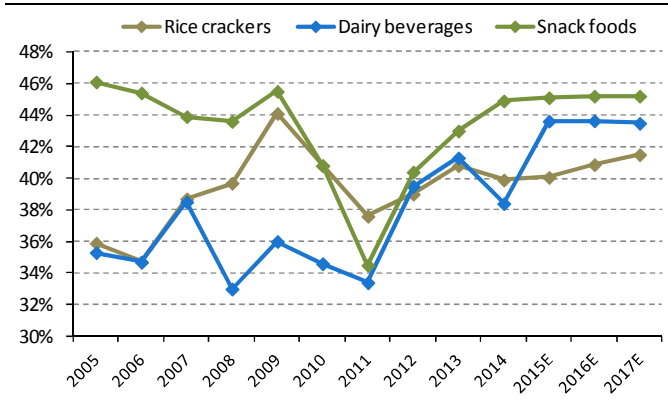
Source: Company data, BOCOM Int'l

Figure 8: Want Want's revenue growth by segment 2005-17E



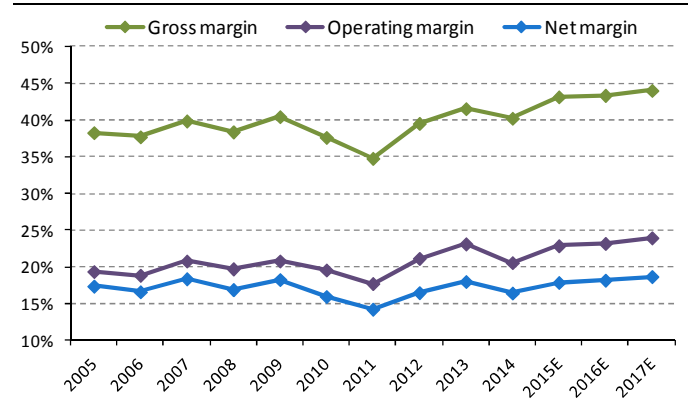
Source: Company data, BOCOM Int'l estimates

Figure 9: Want Want's gross margin by segment 2005-17E



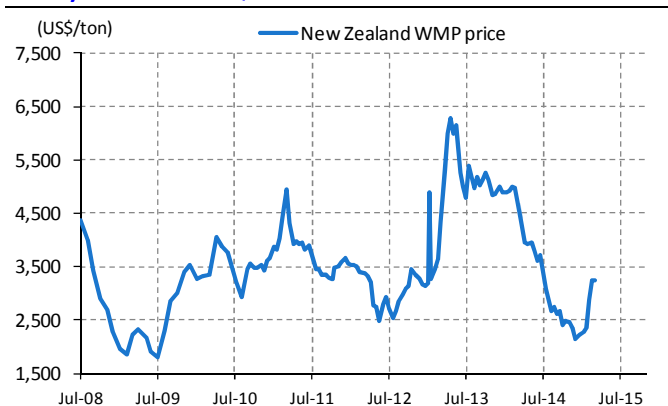
Source: Company data, BOCOM Int'l estimates

Figure 10: Want Want's margins 2005-17E



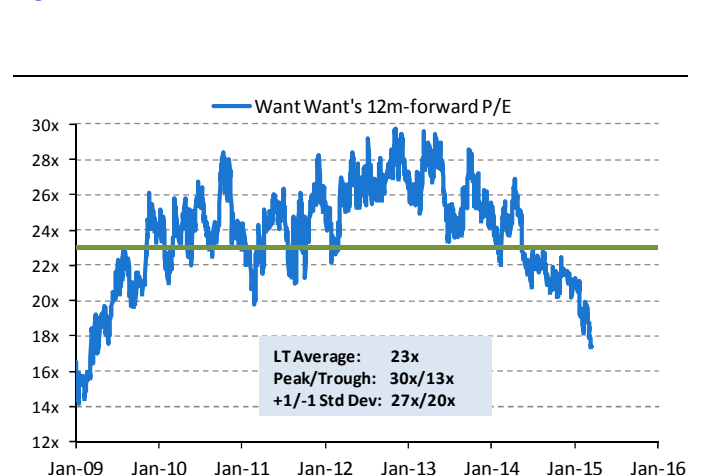
Source: Company data, BOCOM Int'l estimates

Figure 11: New Zealand whole milk powder prices; Want Want's current inventory of milk powder (c20% of total COGS) can last till 3Q15



Source: Bloomberg

Figure 12: Want Want's 12m-forward PE movement



Source: Bloomberg, BOCOM Int'l

Financial Statements

Figure 13: Want Want - Financial summary 2007-17E

(US\$m, Year ending 31 Dec)	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
P&L statement										
Total Revenue	1,554	1,711	2,244	2,947	3,359	3,818	3,775	4,046	4,403	4,732
Dairy beverages	536	798	1,067	1,394	1,709	1,999	1,993	2,103	2,273	2,458
Rice crackers	561	468	629	817	812	910	812	894	985	1,024
Snack foods	448	435	531	723	830	900	963	1,041	1,136	1,240
Other products	9	10	17	13	8	9	8	8	9	9
Gross profit	597	692	845	1,025	1,328	1,586	1,519	1,746	1,909	2,084
Other income and gain	40	40	41	61	46	78	73	73	79	85
Distribution costs	-202	-223	-277	-332	-389	-455	-487	-537	-580	-624
Administrative expenses	-127	-153	-169	-232	-275	-326	-329	-356	-387	-412
Operating profit	307	356	439	522	711	883	777	926	1,021	1,134
Effective tax rate	15.1%	13.0%	19.0%	22.0%	26.0%	26.5%	25.3%	26.0%	26.0%	26.0%
Net profit	263	313	358	419	554	687	621	723	801	884
Diluted EPS (US\$)	0.020	0.024	0.027	0.032	0.042	0.052	0.047	0.055	0.061	0.067
DPS (US\$)	0.020	0.021	0.023	0.020	0.029	0.035	0.024	0.036	0.039	0.044
Dividend payout	98.7%	88.7%	83.3%	61.8%	68.3%	66.9%	51.5%	65.0%	65.0%	65.0%
Cash flow										
Net operating cash flow	182	606	374	579	616	953	296	1,025	600	1,334
Capex	-126	-127	-171	-224	-243	-273	-352	-249	-262	-282
Disposals	51	12	13	1	1	2	0	0	0	0
Other investing cash	-17	-2	0	0	-2	-2	-2	-2	-2	-2
Net investing cash flow	-91	-117	-158	-222	-244	-273	-354	-251	-264	-284
Net proceeds from bank borrowings and	-18	190	288	380	-21	255	158	150	150	150
Net proceed from stock issuance	131	1	-2	3	3	-5	-39	0	0	0
Dividends paid	-200	-259	-317	-259	-299	-419	-460	-301	-485	-537
Other financing cash	-1	-1	-9	-1	5	0	0	0	0	0
Net financing cash flow	-87	-69	-40	123	-312	-169	-340	-151	-335	-387
Net change in cash	4	420	176	480	60	511	-398	624	0	664
Balance sheet										
Cash and equivalents	284	705	906	1,437	1,499	2,060	1,650	2,274	2,274	2,937
Inventory	346	223	339	410	461	534	667	407	755	503
Trade receivables	98	73	101	160	166	164	132	200	162	227
Prepayments and deposits etc	82	74	107	96	142	152	140	158	167	180
Other current assets	7	1	1	0	0	0	0	0	0	0
Total current assets	818	1,076	1,454	2,103	2,268	2,911	2,589	3,038	3,357	3,847
Net PPE	555	624	758	891	1,046	1,236	1,448	1,525	1,606	1,696
Leasehold and land use rights	45	49	65	116	130	165	195	235	277	323
Investment properties	3	3	3	3	3	6	7	9	11	12
Intangible assets	1	1	1	1	1	1	1	3	6	8
Other non-current assets	3	6	9	9	13	29	44	44	44	44
Total non-current assets	607	683	836	1,020	1,193	1,437	1,694	1,816	1,944	2,082
Total assets	1,425	1,758	2,290	3,123	3,461	4,348	4,284	4,855	5,301	5,930
Trade payables	88	109	184	211	231	281	197	307	253	357
Accruals and other payables	216	274	349	481	539	738	526	414	449	477
Borrowings	2	217	294	775	350	410	518	568	618	668
Current income tax liabilities	13	17	30	50	60	85	52	52	52	52
Total current liabilities	319	617	856	1,517	1,181	1,515	1,293	1,342	1,372	1,554
Borrowings	165	140	350	250	653	847	898	998	1,098	1,198
Deferred income tax liabilities	5	8	8	15	10	13	15	15	15	15
Other non-current liabilities	0	0	0	9	14	21	20	20	20	20
Total non-current liabilities	170	148	358	274	677	881	933	1,033	1,133	1,233
Total equity	936	993	1,076	1,333	1,604	1,952	2,058	2,480	2,796	3,143
Total liabilities and equity	1,425	1,758	2,290	3,123	3,461	4,348	4,284	4,855	5,301	5,930

Source: Company data, BOCOM Int'l estimates

Figure 14: Want Want - Key ratios 2007-17E

Year ending 31 Dec	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E
YoY growth										
Total revenue	42.0%	10.1%	31.2%	31.3%	14.0%	13.7%	-1.1%	7.2%	8.8%	7.5%
Rice crackers	49.1%	-16.6%	34.3%	30.0%	-0.6%	12.0%	-10.8%	10.1%	10.2%	4.0%
Dairy beverages	37.3%	48.9%	33.8%	30.6%	22.6%	17.0%	-0.3%	5.5%	8.1%	8.1%
Snack foods	41.0%	-2.8%	22.0%	36.1%	14.8%	8.4%	7.0%	8.1%	9.1%	9.1%
Gross profit	36.7%	16.0%	22.0%	21.3%	29.6%	19.4%	-4.2%	14.9%	9.4%	9.1%
Operating profit	34.7%	16.1%	23.4%	19.0%	36.0%	24.3%	-12.0%	19.2%	10.3%	11.0%
EBITDA	26.1%	15.9%	22.5%	19.0%	34.2%	23.9%	-9.1%	17.3%	9.8%	10.5%
Profit before tax	37.3%	16.2%	23.0%	21.5%	39.2%	24.7%	-11.2%	17.8%	10.8%	10.4%
Net profit	30.6%	19.0%	14.6%	17.0%	32.0%	24.1%	-9.7%	16.5%	10.8%	10.4%
Diluted EPS (US\$)	27.8%	18.2%	14.6%	17.0%	32.0%	24.1%	-9.6%	16.6%	10.8%	10.4%
Margins										
Gross margin	38.4%	40.5%	37.6%	34.8%	39.5%	41.5%	40.2%	43.2%	43.4%	44.0%
Operating margin	19.7%	20.8%	19.6%	17.7%	21.2%	23.1%	20.6%	22.9%	23.2%	24.0%
EBITDA margin	22.7%	23.8%	22.3%	20.2%	23.8%	25.9%	23.8%	26.1%	26.3%	27.0%
PBT margin	19.9%	21.0%	19.7%	18.3%	22.3%	24.5%	22.0%	24.2%	24.6%	25.2%
Net margin	16.9%	18.3%	16.0%	14.2%	16.5%	18.0%	16.4%	17.9%	18.2%	18.7%
Returns										
ROE (average)	32.2%	32.4%	34.6%	34.8%	37.7%	38.7%	30.9%	31.9%	30.4%	29.8%
ROA (average)	20.5%	19.6%	17.7%	15.5%	16.8%	17.6%	14.4%	15.8%	15.8%	15.7%
ROIC	31.6%	47.5%	43.3%	43.1%	46.5%	54.9%	31.2%	37.9%	33.2%	39.8%
Efficiency										
Average inventory days	105	102	73	71	78	81	97	85	85	87
Average AR days	19	18	14	16	18	16	14	15	15	15
Average AP days	32	35	38	37	40	42	39	40	41	42
Cash conversion days	93	85	49	50	56	55	73	60	59	60
Leverage										
Current ratio	4.5x	2.8x	2.7x	2.1x	2.9x	2.9x	3.3x	3.6x	3.9x	3.8x
Assets / Equity	1.5x	1.8x	2.1x	2.3x	2.2x	2.2x	2.1x	2.0x	1.9x	1.9x
Gross gearing	18%	36%	60%	77%	63%	64%	69%	63%	61%	59%
Net gearing	-13%	-35%	-24%	-31%	-31%	-41%	-11%	-29%	-20%	-34%
Dupont analysis										
Net profit /PBT	85%	87%	81%	78%	74%	74%	75%	74%	74%	74%
PBT/EBIT	87%	82%	85%	76%	85%	120%	90%	96%	95%	86%
EBIT/EBITDA	87%	88%	88%	89%	89%	86%	88%	88%	89%	90%
EBITDA margin	22.7%	23.8%	22.3%	20.2%	23.8%	25.9%	23.8%	26.1%	26.3%	27.0%
Asset turnover	1.1x	1.0x	1.0x	0.9x	1.0x	0.9x	0.9x	0.8x	0.8x	0.8x
Financial leverage	1.5x	1.8x	2.1x	2.3x	2.2x	2.2x	2.1x	2.0x	1.9x	1.9x
ROE (year end)	24.2%	25.7%	28.0%	23.4%	27.9%	38.7%	25.7%	26.6%	25.9%	23.4%
Valuation (on current price)										
P/E					30.9x	24.9x	27.5x	23.6x	21.3x	19.3x
P/B					10.7x	8.8x	8.3x	6.9x	6.1x	5.4x
P/S					5.1x	4.5x	4.5x	4.2x	3.9x	3.6x
EV/Sales					4.9x	4.3x	4.3x	4.0x	3.7x	3.4x
EV/EBITDA					20.4x	16.5x	18.1x	15.5x	14.1x	12.7x
Dividend yield					2.2%	2.7%	1.9%	2.8%	3.1%	3.4%
FCF yield					2.2%	4.0%	-0.3%	4.5%	2.0%	6.2%

Source: Company data, BOCOM Int'l estimates, valuation based on HK\$7.98 as of market close on 17 Mar, 2015

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Company Rating

Buy: Expect more than 20% upside in 12 months
 LT Buy: Expect more than 20% upside but longer than 12 months
 Neutral: Expect low volatility
 Sell: Expect more than 20% downside in 12 months

Sector Rating

Outperform ("OP"): Expect more than 10% upside in 12 months
 Market perform ("MP"): Expect low volatility
 Underperform ("UP"): Expect more than 10% downside in 12 months

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