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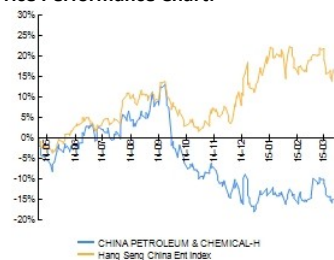
四面楚歌

中石化 (386:HK)

Market Data: Mar,20

Closing Price (HK\$)	6.20
Price Target (HK\$)	4.26
HSCEI	12,156
HSCCI	4,457
52-week High/Low (HK\$)	8.23/5.90
Market Cap (USD Mn)	95,802
Market Cap (HK\$ Mn)	743,377
Shares Outstanding (Mn)	121,071
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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Related Reports

"CHINA PETROLEUM & CHEMICAL

(386:HK) : Drilling down" Jan 26,2015

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (Rmbm)	2,880,245.00	2,825,914.00	2,364,971.74	2,567,902.90	2,627,841.52
YoY (%)	9.55	(1.89)	(16.31)	8.58	2.33
Net income (Rmbm)	66,132.00	46,466.00	29,051.07	39,168.43	40,123.25
YoY (%)	(13.26)	(29.74)	(37.48)	34.83	2.44
EPS (RMB)	0.57	0.40	0.25	0.34	0.34
Diluted EPS (RMB)	0.57	0.40	0.25	0.34	0.34
ROE (%)	11.63	7.84	4.73	6.14	6.06
Debt/asset (%)	55.05	55.52	52.70	52.87	52.14
Dividend yield (%)	6.10	4.88	2.02	2.73	2.79
PE (x)	8.68	12.35	19.78	14.67	14.32
PB (x)	1.12	1.01	0.97	0.94	0.90
EV/Ebitda (x)	3.64	4.63	4.88	4.24	4.06

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

盈利低于预期。 昨晚中石化公布了 2014 年全年净利润为人民币 464 亿元（相当于每股盈利人民币 0.398 元），相较彭博一致预期的全年净利润人民币 564 亿（相当于每股盈利人民币 0.47 元）低 18%，但是符合我们全年净利润人民币 451 亿元（相当于每股盈利人民币 0.39 元）的预期。其中公司四季度每股盈利为人民币-0.046 元，历史上首次出现单季亏损。我们认为公司盈利下滑的原因是 14 年四季度油价快速下跌以及其造成的一系列影响所致。此外中石化发布了 15 年 1 季度盈利预警并给出指引称公司 1 季度净利润将在盈亏平衡附近。

派息率增加。 公司公布了 14 年全年每股股息为人民币 0.2 元（1H14 和 2H14 分别为人民币 0.09 和 0.11 元），相当于 50%的派息率，高于 2013 年的 42%。我们认为派息率的提高应该是得益于公司出售销售业务所获得的高达人民币 1000 亿的充裕现金所致。尽管 14 年派息率相较 13 年 8%的提升仅需人民币 37 亿元，仅占销售业务出售所得很少一部分。但是我们认为中石化不太愿意拿出更多的销售业务出售所得来支付股息，是因为担心市场低谷期的公司现金储备以及为了潜在的收购战略做准备。因此，我们对于略高于市场预期的派息率的看法趋于中性。

各项业务的周期性明显。 各项业务的盈利均表现出强烈的周期性，这与市场预期的盈利对油价变化敏感性较弱的观点不一致。勘探与开发业务实现 14 年四季度的息税前利润人民币 530 亿元（同比下滑 34%，环比下滑 61%）。四季度炼油业务录得高达人民币 1300 亿元的巨额亏损，主要因为油价加速下跌导致炼油毛利下滑。在销售板块公司混合所有制时所预期的销售业务利润会保持稳定，但公司录得四季度息税前利润人民币 30 亿元（同比增长 61%，环比下滑 63%），较大的盈利波动性主要是由于在油价下跌期间的存货影响和清库存时打折促销。化工业务 14 年四季度录得息税前利润为人民币 130 亿元（同比增长 44%），由于在成本端价格下跌更快（石脑油），而非需求端需求恢复。

资本开支削减。 2014 年全年公司资本开支总额为人民币 1546 亿元，较初步计划低了 4.2%。根据公司指引，在 2014 年基础上中石化未来还将继续削减 12%资本开支至人民币 1359 亿元，其中勘探板块资本开支削减将达到 15%，资本开支总额降至人民币 682 亿元（2014 年资本开支总额为人民币 802 亿元），勘探资本开支符合我们的预期，尽管这些似乎低于国内同行。

重申卖出评级。 我们维持 2015 年每股盈利预期为人民币 0.25 元，维持 2016 年每股盈利预期为人民币 0.34 元；基于 2017 年原油 77 美元/桶的假设，我们预测 2017 年每股盈利预期为人民币 0.34 元。我们维持目标价港币 4.26 元对于 14/15/16 年 PE 分别为 14/10/10 倍。考虑到股价仍有 31%的下行空间，我们重申卖出评级。由于中石化是“三桶油”公司中第一个公布 14 年 4 季度净亏损的公司，我们认为市场对于中石化能够抵御低油价环境的高度期望将得到改变。

Investment Highlights:

Earnings miss. Sinopec reported 2014 net profit of Rmb46.4bn and EPS of Rmb0.398, 18% below consensus forecasts of net profit of Rmb56.4bn / EPS of Rmb0.47, but in line with our forecast of Rmb45.1bn/EPS of Rmb 0.39. For 4Q14, EPS came in at -Rmb0.046, representing the company's first ever loss-making quarter. We attribute this to the rapid drop in global crude oil prices in the quarter and its consequences. Sinopec also warned that it expects 1Q15 net profit around breakeven level.

Higher dividend payout. The company announced a full-year dividend of Rmb0.2 (1H14:Rmb0.09, 2H14:Rmb0.11), which represents a 50% dividend pay-out ratio, compared with 42% in 2013. The higher ratio likely reflects the company's enriched cash position following its sale of a 30% stake in its marketing division. However, the 8% increase in 2014 dividend payout ratio requires only Rmb3.7bn, a small proportion of the gain made from the stake sale. We believe Sinopec may be looking to conserve cash during a period of market weakness and in anticipation of acquisitions. We feel neutral to this dividend policy change.

Cyclicality. All Sinopec segment earnings showed substantial cyclicality, which contrasts with market expectations of less earnings sensitivity towards oil price movement. The exploration and development (E&P) segment 4Q14 Ebit was Rmb53bn (-34% YoY, -61% QoQ). The refining Ebit was negative Rmb130bn, as a result of collapsing refining margin due to higher speed of oil price decrease. The company's marketing business, largely seen as stable during the divestment process, reported Ebit of Rmb3bn (-63% QoQ, -61% YoY), still volatile due to the impact of oil price decline on inventory and subsequent discounted destocking. Sinopec's chemicals division 4Q14 Ebit was Rmb13b (+44% YoY), more as a result of a more rapid decline in costs (naphtha) than demand recovery.

Capex cut. 2014 Capex came in at Rmb154.6bn, 4.2% lower than initial planned. The company guided to cut 2015 Capex a further 12% YoY to Rmb135.9bn, of which E&P Capex will be slashed 15% to Rmb68.2bn, in line with our expectation but representing a more drastic cut than domestic peers.

Maintain SELL. Sinopec is the first of the three domestic oil majors to report a 4Q14 loss we expect the market to significantly revise its estimation of the company's ability to protect itself from low oil prices. However, we maintain our EPS forecast of Rmb0.25 in 15E, and Rmb0.34 in 16E, and forecast EPS of Rmb0.34 in 17E, based on our expectation that Brent oil will reach US\$77/bbl. We maintain our target price at HK\$4.26, representing 14x 15E PE, 10x 16E PE and 10x 17E PE. With 31% downside, we maintain our SELL rating.

Fig 1: 4Q14 refining segment key data

Rmbm	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	YoY	QoQ
Revenue	866,545	548,699	724,680	740,321	641,065	715,107	759,476	710,266	-4.1%	-6.5%
E&P	56,308	53,335	54,317	55,440	53,942	54,183	54,918	48,051	-13.3%	-12.5%
Refining	332,707	308,748	328,948	335,070	320,685	328,841	330,712	287,540	-14.2%	-13.1%
Marketing	358,223	369,468	380,588	384,088	349,861	371,477	390,100	352,398	-8.3%	-9.7%
Chemicals	105,148	102,970	107,814	114,164	103,073	106,691	111,072	98,365	-13.8%	-11.4%
Corporate	348,535	332,920	335,618	340,947	303,058	341,986	331,382	332,411	-2.5%	0.3%
Eliminations	-343,474	-628,954	-493,802	-505,945	-498,238	-497,395	-469,339	-424,133	-16.2%	-9.6%
Others	9,098	10,212	11,197	16,557	8,684	9,324	10,631	15,634	-5.6%	47.1%
Ebit	27,569	19,172	31,547	18,497	24,817	27,451	24,096	-2,877	-115.6%	-111.9%
E&P	16,230	14,719	15,795	8,049	13,206	15,057	13,485	5,309	-34.0%	-60.6%
Refining	2,204	-1,991	6,443	1,943	3,739	6,016	1,347	-13,056	-772.0%	-1069.3%
Marketing	9,126	7,726	10,182	8,109	8,832	9,962	7,645	3,010	-62.9%	-60.6%
Chemicals	164	-573	350	927	-1,342	-2,626	452	1,335	44.0%	195.4%
Corporate	-190	-824	-360	-2,038	21	-282	741	-1,543	-24.3%	-308.2%
Eliminations	35	115	-863	1,507	361	-676	426	2,068	37.2%	385.4%
Finance cost	-4,133	1,602	-378	-1,337	-5,693	-3,068	-1,958	-3,510	162.5%	79.3%
Investment income	29	21	32	72	49	227	2,367	-27	-137.5%	-101.1%
Share profits	520	354	582	903	805	1,171	1,633	21	-97.7%	-98.7%
Profit before tax	23,985	21,149	31,783	18,135	19,978	25,781	26,138	-6,393	-135.3%	-124.5%
Income tax	-6,293	-6,434	-7,481	-4,555	-4,818	-7,090	-5,716	53	-101.2%	-100.9%
Net profit	17,692	14,715	24,302	13,580	15,160	18,691	20,422	-6,340	-146.7%	-131.0%
Attributable to										
Shareholders	16,677	13,604	22,019	13,832	14,121	18,422	19,255	-5,332	-138.5%	-127.7%
Minority interests	1,015	1,111	2,283	-252	1,039	269	1,167	-1,008	300.0%	-186.4%
EPS	0.14	0.12	0.19	0.12	0.12	0.16	0.17	-0.05	-138.5%	-127.7%
Total no of shares	116,600	116,600	116,600	116,600	116,600	116,600	116,600	116,600		

Source: Company data, SWS Research

APPENDIX

Consolidated Income Statement

Rmbm	2013A	2014A	2015E	2016E	2017E
Revenue	2,880,245	2,825,914	2,364,972	2,567,903	2,627,842
Ebit	96,785	73,487	61,902	77,148	79,238
E&P	54,793	47,057	1,671	18,144	19,959
Refining	8,599	-1,954	18,248	16,262	15,439
Marketing	35,143	29,449	37,371	38,492	39,647
Chemicals	868	-2,181	5,111	4,749	4,693
Corporate	-3,412	-1,063	-500	-500	-500
Eliminations	794	2,179	0	0	0
Finance cost	-4,246	-14,229	-10,026	-10,090	-10,446
Investment income	154	2,616	0	0	0
Share profits	2,359	3,630	1,500	1,500	1,500
Profit before tax	95,052	65,504	53,376	68,558	70,291
Income tax	-24,763	-17,571	-13,878	-17,825	-18,276
Net profit	70,289	47,933	39,498	50,733	52,016
Attributable to Shareholders	66,132	46,466	29,051	39,168	40,123
Minority interests	4,157	1,467	10,447	11,565	11,892

Consolidated Cash Flow Statement

RmbMn	2013A	2014A	2015E	2016E	2017E
Profit before taxation	70,289	47,933	39,498	50,733	52,016
Plus: Depr. and amortization	81,265	66,567	70,994	75,642	80,522
Finance cost	4,246	14,229	10,026	10,090	10,446
Losses from investments	-2,513	-6,246	-1,500	-1,500	-1,500
Change in working capital	-3,054	-17,953	71,620	-36,948	-3,029
Others	-15,261	0	0	0	100
CF from operating activities	151,893	148,347	149,099	143,079	148,265
CAPEX	-168,700	-153,700	-138,330	-145,247	-152,509
Other CF from investing activities	-10,040	0	101,500	1,500	1,500
CF from investing activities	-178,740	-132,633	-36,830	-143,747	-151,009
Equity financing	19,406	0	0	0	100
Net change in liabilities	55,035	42,135	-51,062	25,787	7,818
Dividend and interest paid	23,754	-32,815	-21,646	-25,757	-26,496
Other CF from financing activities	-66,676	6,724	-50,602	0	0
CF from financing activities	4,672	-5,707	-11,041	-638	-21,322
FCFF	-26,847	15,714	112,269	-667	-2,744
FCFE	28,188	57,849	61,207	25,120	5,074

Source: Company data, SWS Research

Consolidated Balance Sheet

RmbMn	2013A	2014A	2015E	2016E	2017E
Current Assets	373,010	360,144	315,142	340,799	323,402
Bank balances and cash	15,101	10,100	(941)	(1,579)	(22,901)
Trade and other receivables	97,237	104,794	94,599	102,716	101,071
Inventories	221,906	188,223	191,923	207,563	212,384
Other current assets	38,766	57,027	29,562	32,099	32,848
Long-term investment	179,681	210,072	155,392	168,801	191,436
PP&E	830,225	881,152	926,288	966,844	1,008,329
Intangible and other assets	179,681	210,072	155,392	168,801	191,436
Total Assets	1,382,916	1,451,368	1,396,822	1,476,444	1,523,166
Current Liabilities	571,822	604,257	540,478	585,034	598,636
Borrowings	163,870	178,148	118,249	128,395	131,392
Trade and other payables	202,724	198,366	230,307	249,075	254,860
Other current liabilities	205,228	227,743	191,923	207,563	212,384
Long-term liabilities	189,468	201,534	195,590	195,590	195,590
Total Liabilities	761,290	805,791	736,068	780,624	794,226
Minority Interests	52,823	52,536	62,983	74,548	86,440
Shareholder Equity	568,803	593,041	614,113	637,614	661,688
Total Liabilities and equity	1,382,916	1,451,368	1,413,165	1,492,786	1,542,354

Key Financial Ratios

	2013A	2014A	2015E	2016E	2017E
Ratios per share (Rmb)					
Earnings per share	0.57	0.40	0.25	0.34	0.34
Diluted EPS	0.57	0.40	0.25	0.34	0.34
Operating CF per share	1.17	1.30	1.27	1.28	1.23
Dividend per share	0.30	0.24	0.10	0.13	0.14
Net assets per share	4.37	4.87	5.08	5.26	5.46
Key Operating Ratios(%)					
ROIC	9.62	6.29	3.83	4.90	4.71
ROE	11.63	7.84	4.73	6.14	6.06
Gross profit margin	N/A	N/A	N/A	N/A	N/A
Ebita margin	6.18	4.96	5.62	5.95	6.08
Ebit margin	3.36	2.60	2.62	3.00	3.02
Growth rate of revenue(YoY)	9.55	(1.89)	(16.31)	8.58	2.33
Growth rate of profit(YoY)	(13.26)	(29.74)	(37.48)	34.83	2.44
Debt-to-asset ratio	55.05	55.52	52.70	52.87	52.14
Turnover rate of net assets	506.37	476.51	385.10	402.74	397.14
Turnover rate of total assets	208.27	194.71	167.35	172.02	170.38
Effective tax rate (%)	26.05	26.82	26.00	26.00	26.00
Dividend yield (%)	6.10	4.88	2.02	2.73	2.79
Valuation Ratios (X)					
P/E	8.68	12.35	19.78	14.67	14.32
P/B	1.12	1.01	0.97	0.94	0.90
EV/sale	0.28	0.29	0.35	0.32	0.31
EV/ebita	3.64	4.63	4.88	4.24	4.06

Source: Company data, SWS Research

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