



Rating
Buy

Asia
China

Consumer
Retail / Wholesale Trade

Company
CRE Alert

Reuters 0291.HK	Bloomberg 291 HK	Exchange HSI	Ticker 0291
ADR Ticker CRHKY	ISIN US16940R1095		

Date
20 March 2015

Results

Price at 19 Mar 2015 (HKD)	15.06
Price target - 12mth (HKD)	19.70
52-week range (HKD)	24.20 - 14.22
HANG SENG INDEX	24,469

FY14 results; first take

The company announced a net loss of HK\$161m (loss of HK\$794m excluding revaluation gain) for 2014 on a 15% rise in sales to HK\$168.9bn. Sales were broadly in line with our estimates (2.4% lower) while we expected a NP of HK\$148m. The discrepancy was due to higher than expected losses from retail operation, which is in line with its guidance in its profit warning announcement on 3 March. Loss from Tesco was in line with our expectation and performance of its original retail operation was weaker than we expected. It maintains its DPS payout of HK\$0.27, same as 2013. Net debt was HK\$8.1bn in 2014 vs 1.1 net debt in 2013.

By segment:

Retail - it reported a 15% rise in sales to HK\$109.5bn. Net loss was HK\$1.36bn. SSS decline was 2.6% Macro slowdown, e-commerce challenge and loss incurred from the JV all impacted the operation. Sales of Tesco China were HK\$11bn and a loss of HK\$906bn was reported for its 7 month of operation.

Beer - It saw a 4.5% rise in sales to HK\$34.5bn with 1% increase in vol due to poor weather and slow economy, NP declined by 19% to HK\$761m.

Food - reported a 37% rise in sales to HK\$16bn and core loss of HK\$134m, should one off disposal gain is removed. This was due to a lower than expected live pig prices with higher feed cost. The rice business is still at the initial investment stage to have a nationwide coverage.

Beverage also experienced a strong 36% rise in sales with NP rose by 124%. Sales volume rose by 33%, thanks to the strong growth C'est bon purified water. It further strengthened its leadership in southern China.

There will be an analyst today after market close.

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Stock data

Market cap (HKDm)	36,099
Market cap (USDm)	4,654
Shares outstanding (m)	2,397.0
Major shareholders	China Resources Hldg (51.46%)
Free float (%)	48
Avg daily value traded (USDm)	11.582

Source: Deutsche Bank

Key data

FYE 12/31	2013A	2014E	2015E
Sales (HKDm)	146,413	172,985	195,200
Net Profit (HKDm)	1,908.0	148.4	543.4
DB EPS (HKD)	0.80	0.06	0.23
PER (x)	31.7	244.3	66.7
Yield (net) (%)	1.1	0.1	0.5

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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