

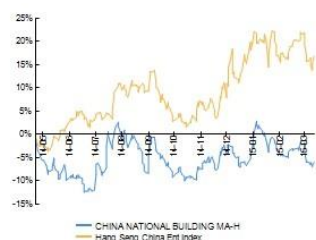
25 March 2015

Underperform
Unchanged

Market Data: Mar, 24

Closing Price (HK\$)	7.49
Price Target (HK\$)	6.2
HSCCI	12,005
HSSCI	4,489
52-week High/Low (HK\$)	8.42/6.70
Market Cap (US\$m)	5,216
Market Cap (HK\$m)	40,439
Shares Outstanding (m)	5,399
Exchange Rate (Rmb-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

Analyst

Rong Ye A0230512110001 AYZ033
Dimi Du A0230514070005 BEE282
Daniel Huang A0230513030001
BDQ227

Related Reports

"CNBM (3323 HK)--Weight Down"
Aug 25, 2014

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业绩符合预期

中国建材 (3323:HK)

Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (Rmbm)	117,688	122,011	139,154	142,542	145,153
YoY (%)	34.9	3.7	14.1	2.4	1.8
Net income (Rmbm)	5,762	5,920	5,646	5,752	5,924
YoY (%)	3.3	2.7	(4.6)	1.9	3.0
EPS (Rmb)	1.07	1.10	1.05	1.07	1.10
Diluted EPS (Rmb)	1.07	1.10	1.05	1.07	1.10
ROE (%)	10.8	8.8	8.1	7.5	7.0
Debt/asset (%)	62.0	60.2	58.9	57.3	55.8
Dividend Yield (%)	2.71	2.80	2.67	2.72	2.80
PE (x)	5.5	5.5	5.7	5.6	5.5
PB (x)	0.6	0.5	0.5	0.4	0.4
EV/Ebitda (x)	9.5	8.8	8.2	7.5	9.5

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

净利润符合预期 中国建材 (3323 HK) 的 201 年净利润为人民币 59 亿元，每股净利润人民币 1.1 元 (同比+2%)。高于我们预计的人民币 1.08 元约 1.8%，高于彭博一致预期的人民币 1.03 约 6%。除去一次性的收购子公司收益人民币 216 百万元与金融资产的公允价值增加约人民币 317 百万元，公司净利润为人民币 56 亿元，和彭博一致预期一致。政府补贴包括政府补助和增值税退款共计人民币 37 亿元，占到了 14 年净利润的 43%，对比 13 年的人民币 36 亿元，占 13 年净利润的 44%

销量，吨均价，吨毛利符合预期 在 2014 年，中建材水泥销量为 291 百万吨 (同比+3%)，混凝土销量为 85 百万立方米 (同比-0.1%)。水泥吨均价为人民币 252 元，比 13 年的 253 元的吨均价低了 1 元。14 年的水泥吨毛利为人民币 71 元，同比 13 年的吨毛利 64 元增加 7 元。吨净利在 14 年为人民币 20 元，高于 13 年同期的 19 元约 1 元。

负债率降低，资本开支大幅减少 2014 年的固定资本支出为人民币 121 亿元，相对于 13 年的 275 亿元减半。公司付息净负债在 14 年年底达到了人民币 1756 亿元，对比 1H14 的人民币 1734 亿元与 13 年的 1689 亿元皆有所增加。净负债率则为 261%，对比 1H14 的 317%与 13 年的 315%。负债率降低主要是因为 14 年 11 月发行了 50 亿元的永续票据。

国企改革为股价上行风险 在目前需求增速下行要靠供给收缩才能平衡供求关系的市场中，作为高成本的水泥制造商，在行业需求减弱时候比同行的压力更大，因为成本曲线上高成本的生产商必须首先减产。作为国企改革的示范企业，中建材可能会有股价情绪上的上行风险，但是公司在成本曲线高端的格局却很难改变。

维持减持评级 中建材目前交易在人民币 430 元的吨企业价值，高于行业平均的每吨人民币 390 元约 10%。我们维持现有目标价港币 6.2 元不变，对应其吨企业价值应为人民币 420 元。基于 17%的下行空间，我们维持减持评级

Net profit in line. China National Building Materials (CNBM) reported 2014 net profit of Rmb5.9bn and EPS of Rmb1.10 (+2% YoY, 1.8% higher than our forecast of Rmb1.08 and 6% higher than Bloomberg consensus of Rmb1.03). Excluding one-off gains of Rmb216m from its subsidiaries acquisition and financial assets fair value increase of Rmb317m, net profit would be in line with consensus of Rmb5.6bn. Government subsidies including grants and VAT rebates stand at Rmb3.7bn, accounting for 43% of total net profit, vs Rmb3.6bn or 44% of the total in 2013.

Sales volume, average selling price (ASP) and margin in line In 2014, CNBM delivered 291m tonnes of cement products (+3% YoY) and 85.0m m³ of concrete (-0.1% YoY). The ASP of cement in 2014 was Rmb252/t (Rmb253/t in 2013). Unit margin for cement stood at Rmb71/t (Rmb64/t in 2013). Unit net margin for cement stood at Rmb 20/t (Rmb 19/t in 2013).

Lower gearing and Capex. Capex reached Rmb12.1bn in 2014 (Rmb27.5bn in 2013). CNBM's total net debt rose to Rmb174.6bn by the yearend, from Rmb173.4bn in 1H14 and Rmb168.9bn in 2013. Net gearing was 261%, vs 317% in 1H14 and 315% in 2013. The lower gearing was primarily due to the impact of Rmb5.0 bn perpetual capital instruments issued in November 2014.

SOE reform as upside risks in sentiment. As a high-cost producer, since it needs to cut more production to meet the industry's supply demand dynamics, CNBM will suffer more than its peers when industry demand slows. The roll-out of SOE reform could be an upside risk in sentiment, however cannot change its status of high cost producer in the industry cost curve.

Maintain Underperform. CNBM is currently trading at Rmb430 EV/t, 10% higher than its peer average of Rmb390/t. We maintain our target price of HK\$6.2, implying Rmb420 EV/t. With 17% downside, we maintain our Underperform recommendation.

APPENDIX

Fig 1: CNBM unit data

Blended	2013	2014	2015E	2016E	2017E
Volume	283	291	337	331	339
ASP	253	252	252	252	253
ACP	188	182	186	186	186
Gross profit	64	71	66	67	67
Exp./T	47.4	52.8	46.8	46.9	47.1
Tax	22%	22%	22%	22%	22%
Net profit/t	19	20	22	22	22
Net profit/t excl minority	13	14	15	15	16
% minority	30%	28%	29%	29%	29%
Total	3,781	4,114	5,199	5,108	5,305

Source: Bloomberg, SWS Research

Table 1: Consolidated Income Statement

Rmbm	2013	2014	2015E	2016E	2017E
Revenue	117,688	122,011	139,154	142,542	145,153
Cost of Sales	(87,550)	(88,732)	(102,892)	(105,459)	(107,260)
Gross Profit	30,138	33,279	36,262	37,083	37,893
Other Income	4,835	4,026	4,175	4,276	4,355
Distribution expenses	(6,928)	(7,760)	(8,210)	(8,410)	(8,564)
Administrative expenses	(8,135)	(9,049)	(9,462)	(9,693)	(9,870)
Ebitda	20,194	22,243	24,953	25,900	19,458
EBIT	15,075	16,469	18,589	18,980	19,458
Finance Costs	(9,307)	(10,857)	(11,828)	(12,116)	(12,338)
Profit before tax	10,603	11,553	10,936	11,141	11,475
Income tax expense	(2,291)	(2,881)	(2,727)	(2,779)	(2,862)
Minority interests	2,550	2,707	2,562	2,610	2,689
Profit for the year	5,762	5,920	5,646	5,752	5,924

Source: SWS Research

Table 2: Consolidated Cash Flow Statement

Rmbm	2013	2014	2015E	2016E	2017E
ProfitBeforeTaxation	10,603	11,553	10,936	11,141	11,475
DeprAndAmortisation	5,733	5,119	5,774	6,364	6,920
FinanceCost	9,307	10,857	11,828	12,116	12,338
LossesFromInvestments	(117)	0	0	0	0
ChangeInWorkingCapital	(11,306)	(4,124)	4,068	(519)	(468)
Others	(1,932)	(2,592)	(2,438)	(2,489)	(2,572)
CFFromOperatingActivities	11,656	20,813	30,168	26,613	27,693
CAPEX	(10,907)	(12,158)	(12,233)	(12,233)	(12,234)
OtherCFFromInvestingActivities	(17,580)	3,806	553	608	669
CFFromInvestingActivities	(28,487)	(8,352)	(11,680)	(11,625)	(11,565)
EquityFinancing	0	0	0	0	0
NetChangeInLiabilities	29,000	9,789	(16,967)	18	(1,244)
DividendAndInterstPaid	(12,082)	(12,885)	(13,847)	(10,090)	(10,105)
OtherCFFromFinancingActivities	(1,280)	0	0	0	0
CFFromFinancingActivities	15,638	(3,096)	(30,814)	(10,072)	(11,349)
NetCashFlow	(1,192)	9,365	(12,326)	4,916	4,779
FCFF	(3,696)	2,425	13,471	9,814	10,815
FCFE	15,998	1,358	(15,324)	(2,284)	(2,767)

Source: SWS Research

Table 3: Consolidated Balance Sheet

Rmbm	2013	2014	2015E	2016E	2017E
Current Assets	87,257	106,700	103,468	110,310	116,544
Bank balances and cash	11,875	15,995	11,723	16,639	21,419
Trade and other receivables	52,211	60,972	61,762	63,265	64,424
Inventories	14,721	16,663	16,914	17,336	17,632
Long-term investment	17,748	18,220	18,220	18,220	18,220
PP&E	137,099	140,127	149,108	149,108	149,109
Intangible and other assets	57,976	64,504	66,222	68,283	70,756
Total Assets	291,631	316,482	323,948	332,851	341,559
Current Liabilities	169,395	199,124	204,231	205,638	206,625
Borrowings	180,868	190,657	190,657	190,657	190,657
Trade and other payables	48,327	51,272	56,379	57,786	58,773
Other current liabilities	5,047	4,069	4,069	4,069	4,069
Long-term liabilities	3,813	3,507	3,507	3,507	3,507

Total Liabilities	238,055	249,505	254,612	256,019	257,005
Minority Interests	18,197	21,404	23,967	26,577	29,266
Shareholder Equity	53,576	66,977	69,336	76,832	84,554
Share Capital	5,399	5,399	5,399	5,399	5,399
Reserves	29,979	35,174	39,970	44,856	49,889
Equity attributable	35,378	40,573	45,369	50,255	55,288
Total Liabilities and equity	291,631	316,482	323,948	332,851	341,559

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Total Liabilities and equity	291,631	316,482	323,948	332,851	341,559

Source: SWS Research

Table 4: Key Financial Ratios

	2013	2014	2015E	2016E	2017E
Ratios per share (Rmb)					
Earnings per share	1.07	1.10	1.05	1.07	1.10
Operating CF per share	2.16	3.86	5.59	4.93	5.13
Dividend per share	0.16	0.16	0.16	0.16	0.17
Net assets per share	9.92	12.41	12.84	14.23	15.66
Key Operating Ratios(%)	4%	2%	-5%	2%	3%
ROIC	5.22	5.04	5.54	5.60	5.68
ROE	10.75	8.84	8.14	7.49	7.01
Gross profit margin	25.61	27.28	26.06	26.02	26.11
EBITDA Margin	17.16	18.23	17.93	18.17	13.41
EBIT Margin	12.81	13.50	13.36	13.32	13.41
Growth rate of Revenue(YoY)	34.94	3.67	14.05	2.43	1.83
Growth rate of Profit(YoY)	3.27	2.74	(4.62)	1.87	3.00
Debt-to-asset ratio	62.02	60.24	58.85	57.28	55.82

Turnover rate of net assets	2.20	1.82	2.01	1.86	1.72
Turnover rate of total assets	0.40	0.39	0.43	0.43	0.42
Effective tax rate (%)	21.61	24.94	24.94	24.94	24.94
Dividend yield (%)	2.71	2.80	2.67	2.72	2.80
Valuation Ratios (X)					
P/E	5.51	5.45	5.72	5.61	5.45
P/B	0.59	0.48	0.47	0.42	0.38
EV/Sales	1.63	1.61	1.47	1.37	1.28
EV/EBITDA	9.50	8.84	8.22	7.54	9.55

Source: SWS Research

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BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

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