

CSPC Pharmaceutical

4Q strong; bullish on FY15 even with tender price cut headwind - expecting net profit growth above 30%

CSPC reported FY14 results, with both net revenue and profit slightly ahead of consensus. The 39.5% Y/Y growth in recurring net profit beat management guidance of 30%+. CSPC is one of the rare drugs companies with both a strong existing product portfolio and a robust pipeline to sustain growth. While we are cautious about the drug sector overall due to tender price cuts and reimbursement control, we think CSPC should continue to outperform in FY15 as its innovative drugs gain markets through tenders while suffering less-than-average price cuts and newly launched oncology drugs ramp up sales. We reiterate OW and maintain our Dec-15 PT of HK\$8.10.

- **Solid FY14:** FY14 sales were HK\$11.0bn (+10.1%Y/Y), beating consensus by 0.8%. GPM went up 6.7ppt Y/Y due to % of sales from innovative drugs. Operating profit was up 41.9% Y/Y, with OPM up 3.4ppt Y/Y. Net profit was up 30.4%. Excluding option expenses and non-recurring gains on asset disposal, recurring core profit would be Rmb1,321mn, up 39.5% Y/Y.
- **Key product performance:** NBP soft capsules – HK\$905mn, +30%Y/Y; injections – HK\$508mn, +74%Y/Y. NBP injections are expected to see strong growth with new tenders, and overall NBP growth should be >40% in FY15. Oulaining sales were HK\$789mn, +33% Y/Y, and Xuanning sales HK\$329mn, +28%Y/Y. Oncology sales were HK\$252mn, up 2.3x. With seven oncology drugs in the market, CSPC expects to record total sales of HK\$500mn and net profit of HK\$100mn for oncology drugs. Management guided for overall growth of innovative drugs above 40% in FY15.
- **R&D pipeline progress:** rE4 is in Phase 3 clinical trials for diabetes. It should be the first approved GLP-1 analog manufactured through a biological process in China (filing 2016). CSPC is taking mitoxantrone hydrochloride liposome injections through a streamlined Phase 1-3 process pre-agreed upon with the CFDA. This oncology drug is also being tested in early clinical trials in the U.S. alongside NBP, which is in Phase 1/2 trials managed by PPD. While management saw great potential in Qinggan Huayu capsules, the approval process is stretched out, as the CFDA has set new standards for approving drugs for the treatment of liver fibrosis. CSPC expects to receive at least 10 manufacturing certificates in 2015.

CSPC Pharmaceutical (Reuters: 1093.HK, Bloomberg: 1093 HK)

HK\$ in mn, year-end Dec	FY12A	FY13A	FY14A	FY15E	FY16E
Revenue (HK\$ mn)	4,146	9,949	10,955	12,531	14,409
Net Profit (HK\$ mn)	2,162	973	1,268	1,694	2,167
EPS (HK\$)	0.45	0.18	0.21	0.28	0.36
DPS (HK\$)	0.06	0.08	0.10	0.13	0.17
Revenue growth (%)	72.2%	139.9%	10.1%	14.4%	15.0%
EPS growth (%)	440.8%	(59.5%)	17.2%	33.6%	27.9%
ROCE	13.2%	10.0%	14.2%	17.5%	20.1%
ROE	57.4%	13.9%	16.3%	19.8%	22.6%
P/E (x)	14.2	35.1	29.9	22.4	17.5
P/BV (x)	5.2	4.6	4.7	4.2	3.7
EV/EBITDA (x)	37.2	18.8	14.1	12.6	10.1
Dividend Yield	0.9%	1.3%	1.6%	2.1%	2.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

1093.HK, 1093 HK

Price: HK\$6.33

Price Target: HK\$8.10

China

Pharmaceuticals

Sean Wu ^{AC}

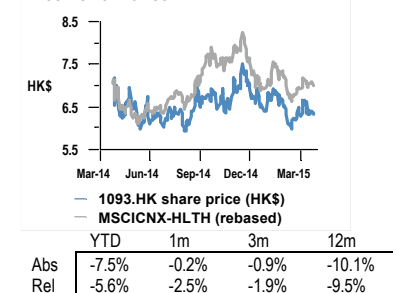
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Price Performance



Company Data	
Shares O/S (mn)	5,395
Market Cap (HK\$ mn)	34,149
Market Cap (\$ mn)	4,403
Price (HK\$)	6.33
Date Of Price	24 Mar 15
Free Float(%)	-
3M - Avg daily vol (mn)	12.21
3M - Avg daily val (HK\$ mn)	78.64
3M - Avg daily val (\$ mn)	10.1
MSCI CNX-HLTH	149.34
Exchange Rate	7.76
Price Target End Date	31-Dec-15

See page 11 for analyst certification and important disclosures, including non-US analyst disclosures.

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Key catalysts for the stock price: <ul style="list-style-type: none"> • New product approvals • Phase 2 trial of NBP in the U.S. • Sales ramp-up for Jingyouli and Qinggan Huayu capsules • Quarterly earnings • Announcement of major collaborations 	Upside risks to our view: <ul style="list-style-type: none"> • Unexpected quick firming up of VC prices • NBP approved for secondary prevention of ischemic stroke officially in the near term • Label expansion of NBP and Oulaining into other indications 	Downside risks to our view: <ul style="list-style-type: none"> • Unexpected sales slowdown for CSPC's key products and further erosion of VC ASP • Larger-than-expected sales force turnover. • Unexpected safety issues seen with some newer products
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Key financial metrics	FY13	FY14	FY15E	FY16E
Revenues (LC)	9,949	10,955	12,531	14,409
Revenue growth (%)	139.9%	10.1%	14.4%	15.0%
EBITDA (LC)	1,850	2,431	2,656	3,212
EBITDA margin (%)	18.6%	22.2%	21.2%	22.3%
Tax rate (%)	20.7%	20.8%	21.8%	20.0%
Net profit (LC)	973	1,268	1,694	2,167
EPS (LC)	0.180	0.211	0.282	0.361
EPS growth (%)	-59.5%	17.2%	33.6%	27.9%
DPS (LC)	0.08	0.10	0.13	0.17
BVPS (LC)	1.38	1.35	1.50	1.69
Operating cash flow (LC mn)	815	1,507	2,024	2,294
Free cash flow (LC mn)	275	847	1,728	1,982
Interest cover (x)	25.5	44.7	36.4	44.0
Net margin (%)	9.8%	11.6%	13.5%	15.0%
Sales/assets (X)	0.77	0.86	0.90	0.94
Debt/equity (%)	21.2%	17.5%	17.5%	15.6%
Net debt/equity (%)	5.6%	-0.2%	-8.9%	-17.5%
ROE (%)	13.9%	16.3%	19.8%	22.6%

Key model assumptions	FY13	FY14E	FY15E	FY16E
Vc ASP change		12.5%	0.0%	5.0%
Sales growth of NBP injections		70.0%	63.0%	56.7%
Jingyouli sales (HK\$ 'mn)		100	175	280

Source: Company and J.P. Morgan estimates.

Sensitivity analysis	EBITDA		EPS	
Sensitivity to	FY15E	FY16E	FY15E	FY16E
10% ASP increase for Vitamin C	2.10%	2.10%	2.10%	2.10%
10% upside to base forecast of NBP	3.70%	3.50%	3.70%	3.50%
Effective tax rate increase by 100bp	0%	-1.10%	0.00%	-1.10%
GM: 50bp Increase	1.80%	1.70%	1.80%	1.70%

Source: J.P. Morgan estimates.

Comparative metrics

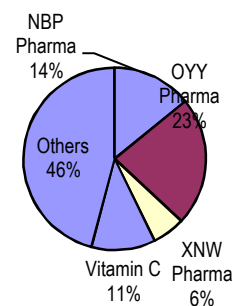
Company (rating)	CMP (LC)	Mkt cap (\$M)	P/E (x)		EV/EBITDA (x)		P/BV (x)		YTD stock perf.
			FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	
CSPC PHARMACEUTI (OW)	6.4	4,876	22.3	17.5	14.6	11.9		1.8	(6.4)
CHINA MEDICAL SY (OW)	12.18	3,793	27.1	21.8	24.8	19.7	6.4	0.3	(5.0)
CHINA SHINWEAY (N)	11.46	1,222	10.3	9.6	6.3	5.8		6.7	(2.7)
CONSUN PHARMACEU (NC)	5.04	650	18.6	14.8	9.4	7.6	2.8	1.7	(13.8)
JIANGSU HENGRU-A (NC)	43.1	10,443			32.1	25.3		6.4	15.0
LIJUN INT'L (OW)	3.48	1,332	17.6	14.0	12.0	9.9		1.2	(2.2)
SHANGHAI PHARM-H (N)	19.06	8,729	16.5	14.7	14.1	12.7		11.1	8.9
SIHUAN PHARM (OW)	4.39	5,867	21.1	17.1	17.0	13.8		1.0	(15.4)
SINO BIOPHARM (N)	7.43	4,734	26.6	22.8	14.4	12.2		1.7	5.7
THE UNITED LABOR (N)	3.65	766	8.9	10.1	8.3	7.9		4.8	(19.4)

Source: Bloomberg, J.P. Morgan estimates. Prices as of 03/24/2015.

Valuation and price target basis

Our Dec-15 price target of HK\$8.10 is based on DCF. We have applied a terminal growth rate of 5%, at the high end of the 3-6% growth rate used for healthcare stocks, as we see CSPC outgrowing its peers for an extended period of time.

2015E product mix



Source: Bloomberg, Company and J.P. Morgan estimates.

JPM vs. consensus, change in estimates

EPS (LC)	FY15E	FY16E
JPM old	0.279	0.358
JPM new	0.282	0.361
% chg	1.2%	0.8%
Consensus	0.287	0.366

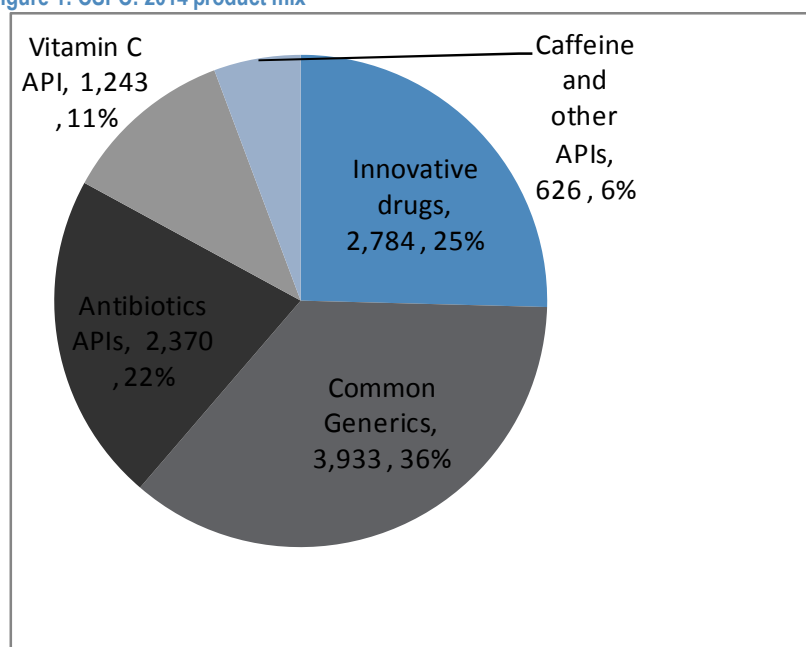
Source: Bloomberg, J.P. Morgan estimates.

Table 1: CSPC: FY14 earnings variance analysis

HK\$ in millions	FY13	FY14E	FY14A	Growth	Variance	Consensus	Variance
Turnover	9,949	10,955	10,695	10.1%	2.4%	10,869	0.8%
Gross profit	3,133	4,187	4,139	33.7%	1.2%		
GPM	31.5%	38.2%	38.7%	6.7 ppt	-0.5 ppt	38%	0.2 ppt
EBIT	1,180	1,674	1,741	41.9%	-3.8%	1,661	0.8%
OPM	11.9%	15.3%	16.3%	3.4 ppt	-1.0 ppt		
Net profit	947	1,321	1,309	39.5%	1.0%	1,306	1.2%
NPM	9.5%	12.1%	12.2%	2.5 ppt	-0.2 ppt		
EPS (HKD)	0.165	0.213	0.218	28.5%	-2.5%	0.219	-2.9%

Source: J.P. Morgan estimates, Bloomberg, Company data.

Figure 1: CSPC: 2014 product mix



Source: Company data.

Table 2: CSPC: Segment sales growth and GM trends

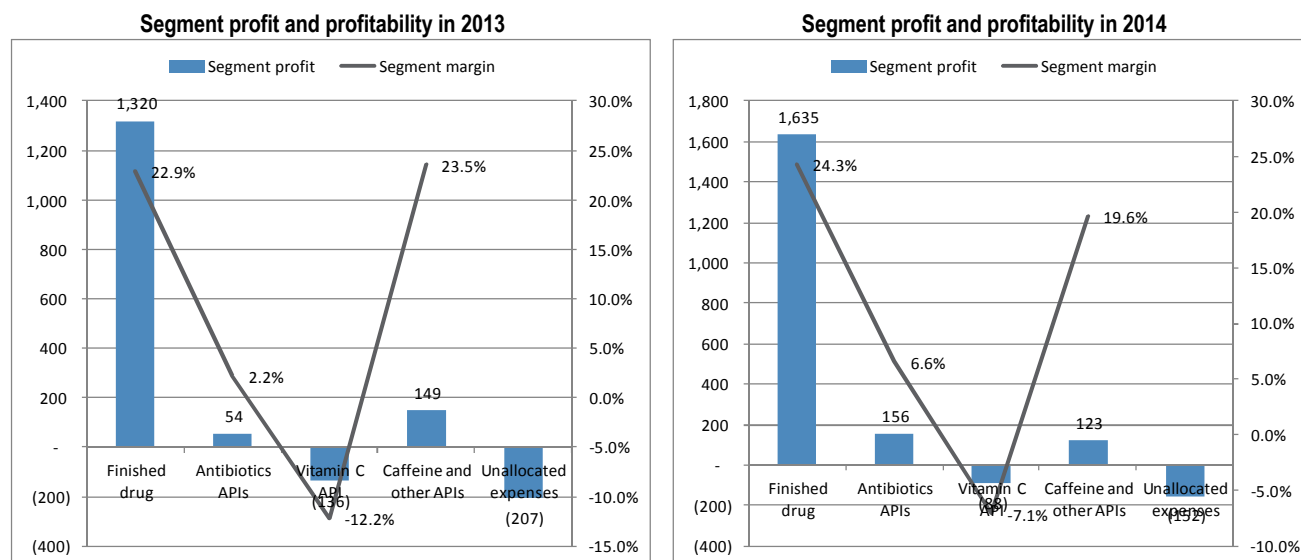
	Sales			Gross Margin		
	2014	2013	Growth	2014	2013	Delta
Innovative drugs	2,784	1,921	44.9%	54.8%	48.6%	6.2
Common generics	3,933	3,833	2.6%			0
Antibiotics APIs	2,370	2,446	-3.1%	14.2%	8.8%	5.4
Vitamin C API	1,243	1,116	11.4%	0.1%	-5.4%	5.5
Caffeine and other APIs	626	633	-1.1%	26.6%	28.2%	-1.6

Source: Company data.

Cash flow and balance sheet analysis

As of year-end 2014, CSPC had cash and cash equivalents of HK\$1,526.6mn, up from HK\$1,270.5mn as of 31-Dec-13, while the company managed to reduce its bank loan outstanding from HK\$1,340mn to HK\$1,226mn as of 31-Dec-14 and reduce its gearing ratio from 17.6% to 15.0%. The company had a net cash position versus 0.9% net gearing as of 31-Dec-13. CSPC incurred capital expenditures of HK\$877mn. The company's AR days and inventory days both improved, from 63 to 55, and from 105 to 102, respectively. The Board declared a final dividend of HK\$10 cents compared to HK\$8 cents for 2013, +25% Y/Y.

Figure 2: CSPC: Segment profit and margins



Source: Company data.

Model revisions

We are adjusting our models to reflect improved gross margins. We fine-tune our capital expenditure estimates. Our changes are summarized in the table below.

Table 3: CSPC: Model revisions

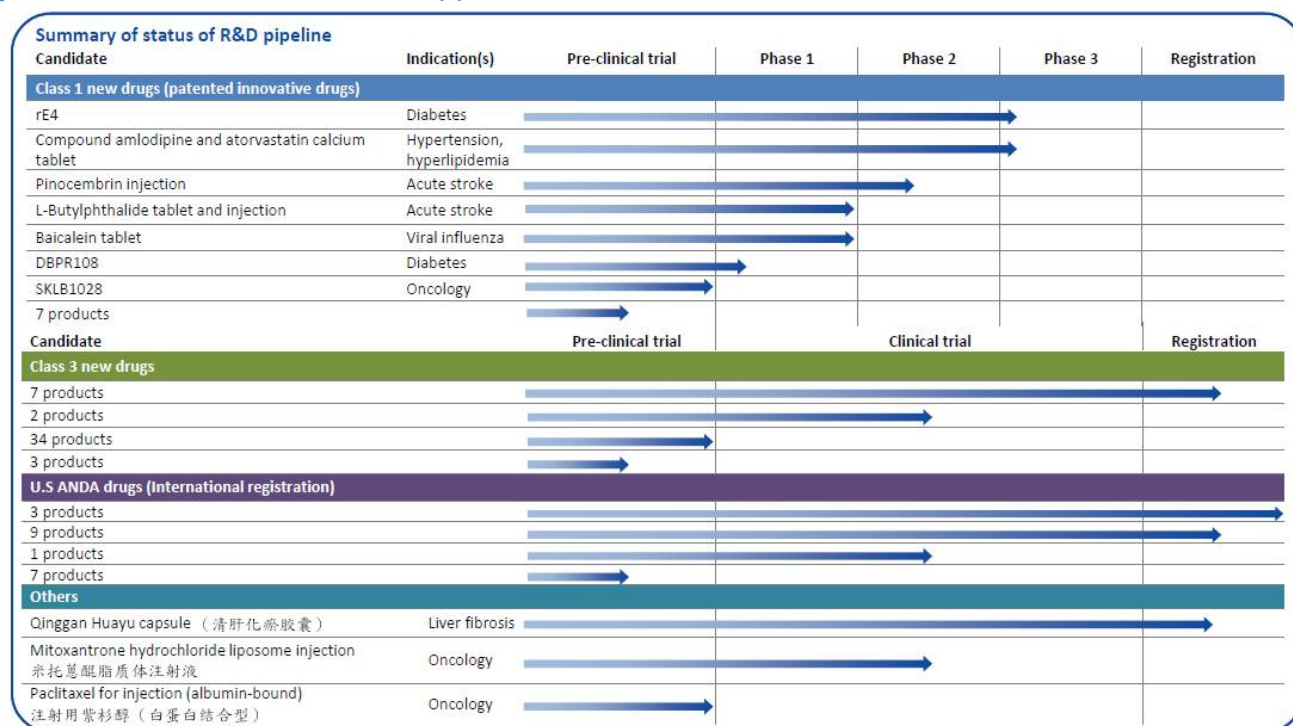
HK\$ in millions	New		Old		Change	
	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Turnover	12,531	14,409	12,131	13,975	3.3%	3.1%
Gross profit	5,015	6,036	4,962	5,987	1.1%	0.8%
EBIT	2,266	2,814	2,236	2,818	1.3%	-0.1%
Net profit	1,694	2,167	1,674	2,151	1.2%	0.8%
EPS (HK\$)	0.282	0.361	0.279	0.358	1.2%	0.8%
Gross margin	40.0%	41.9%	40.9%	42.8%	-2.2%	-2.2%

Source: J.P. Morgan estimates.

Emerging R&D pipeline

CSPC was regarded as a drug API company without much R&D until the asset injection by the parent company. Previously, the company invested a very small proportion of total revenue in R&D because its API business does not require a whole lot of innovation, and also because the API business is largely a high-sales, low-profit business. The revamped CSPC features one of the most robust and underappreciated R&D pipelines, in our view. It has 12 innovative drugs under various stages of pre-clinical and clinical development, including rE4, a GLP-1 analog that has entered Phase III study and has so far shown to have lower side effects than other GLP-1 products. Qinggan Huayu capsule, an exclusive TCM, is being registered for the treatment of Hepatitis B-induced Hepatofibrosis, which is under-treated and can routinely lead to liver cancer if not well managed.

Figure 3: CSPC: Features one of the most robust pipelines



Source: Company data.

rE4, a GLP-1 analog for the treatment of diabetes has entered Phase III development, according to management. Compared to other GLP-1 analogs, rE4 appears to be more potent, while featuring lower side effects. The product may be a good candidate for partnership outside of China. An announcement of a potential deal with a reputable MNC partner could be a major catalyst for stock performance, in our view.

CSPC is conducting a Phase II trial of **Pinocembrin** injection for the treatment of acute stroke. The Phase II trial is conducted in accordance with U.S. FDA standards.

L-Butylphthalide tablets and injections, which are believed to be more potent than NBP, which has a mix of both D- and L- forms of butylphthalide, will be soon taken

into Phase II/III trials. This might further buttress CSPC's NBP franchise and extend patent protections for product sales under this category.

Compound amlodipine besylate and atorvastatin calcium tablets, essentially a combination of Yuanning and Lipitor, will be in Phase III trials shortly. This product will be classified as Class 1.6 innovative drug that should allow CSPC to charge a high price, with one pill serving two of the largest chronic illness indications – hypertension and hyperlipidemia. This could become a very important growth driver for CSPC, in our opinion.

Baicalein tablets, a Class 1 TCM, have shown great efficacy as a potential treatment for influenza. It has completed Phase I trials and will be entering a combined Phase II/III trial. Since it is very easy to recruit patients with flu for the upcoming Phase II/III clinical trial, the time-to-market for this innovative TCM should be relatively short.

DBPR108 is a DDP-IV class of drugs for the management of Type II diabetes. CSPC intends to seek a partner to develop and register the product in overseas developed markets, as the compound has so far proven to be a “me-better” DDP-IV inhibitor in a relatively crowded market.

Among the company's unidentified six innovative compounds under clinical development, the company is working on drug candidates for Hepatitis C/B, a dual-function TNF- α inhibitor for rheumatoid arthritis, an anti-PDG2 product for asthma and rhinitis, and two tyrosine kinase inhibitors screened for cancer treatment, with one for leukemia and one for NSCLC that is able to treat cancer types with mutant receptor tyrosine kinases on cancer cells that may become resistant to some approved small molecular tyrosine kinase inhibitors.

Table 4: CSPC: Summary of key innovative pipeline products

Drug name	Chinese name	Drug class	Indications	Clinical status	Expected approval date	Market size	Competing products
rE4 - lyophilized recombinant GLP-1 receptor agonists	冻干重组 GLP-1受体激动剂	Class 1.1 Biopharma product	Diabetes	Phase III	2017	The diabetes medicine market in major hospitals in China reached Rmb13.4bn in 2011, up 17.87% from 2010. The diabetes market is expected to grow in the coming years, as an estimated 114mn Chinese have diabetes.	Exenatide (synthesized chemically, Byetta, Bydureon), liraglutide (Victoza)
L-Butylphthalide tablets & injections	左旋丁苯酞片, 注射液	Class 1 chemical drug	Acute stroke	Phase I Completed	2020 (Note1)	China adds over 2mn new stroke patients each year, resulting in approximately 1.5mn deaths annually; there are approximately 7mn stroke patients in China. The cost of treating CCV diseases exceeds Rmb10bn each year.	Neuroprotective agents (Gangliosides, Edaravone); Cinepazide (Kelinao); TCMs like Breviscarpin, Ginkgo Leaf
Pinocembrin	匹诺塞林	Class 1 chemical drug	Acute stroke	Phase II	2018		
Maleate levamlodipine atorvastatin calcium tablets	马来酸左旋氨氯地平阿托伐他汀钙片	Class 1.6 chemical drug	Hypertension, Hyperlipidemia	Phase III	2017	China's antihypertensive drug market has an estimated capacity of Rmb30bn. According to the PDB database, 2012 annual sales reached Rmb4.5bn, with a 2008-2012 CAGR around 15.97%. The CAGR is expected to remain at a level of 16%.	Amlodipine, nifedipine, atorvastatin calcium and other CCB class drugs, rosuvastatin and other statins
Baicalein tablets: oral antiviral	黄芩素片	Class I TCM	Viral influenza	Applying for Phase II/III trials	2017	The anti-influenza virus medicine market sales reached Rmb20bn in 2011.	Lianhuaqingwen Qingkailing and anti-viral pills, anti-virus oral antiviral agents
DBPR108		Class 1 chemical drug	Diabetes	Phase I	2018	See above	Phosphate sitagliptin, vildagliptin, saxagliptin, Alogliptin, Linagliptin Teneeligliptin, etc.
SKLB1028			Oncology	Applying for Phase I	2021	The non-small-cell lung cancer market in China reached Rmb4bn in 2011, and the total market could reach Rmb4.5bn, inclusive of AmL	Gefitinib, erlotinib, icotinib, perimetrexed

Source: Company data, 2012 Diabetes Treatment Market Research Report (Guangzhou), 2010 Chinese Cerebrovascular Disease Prevention and Treatment Guidelines.

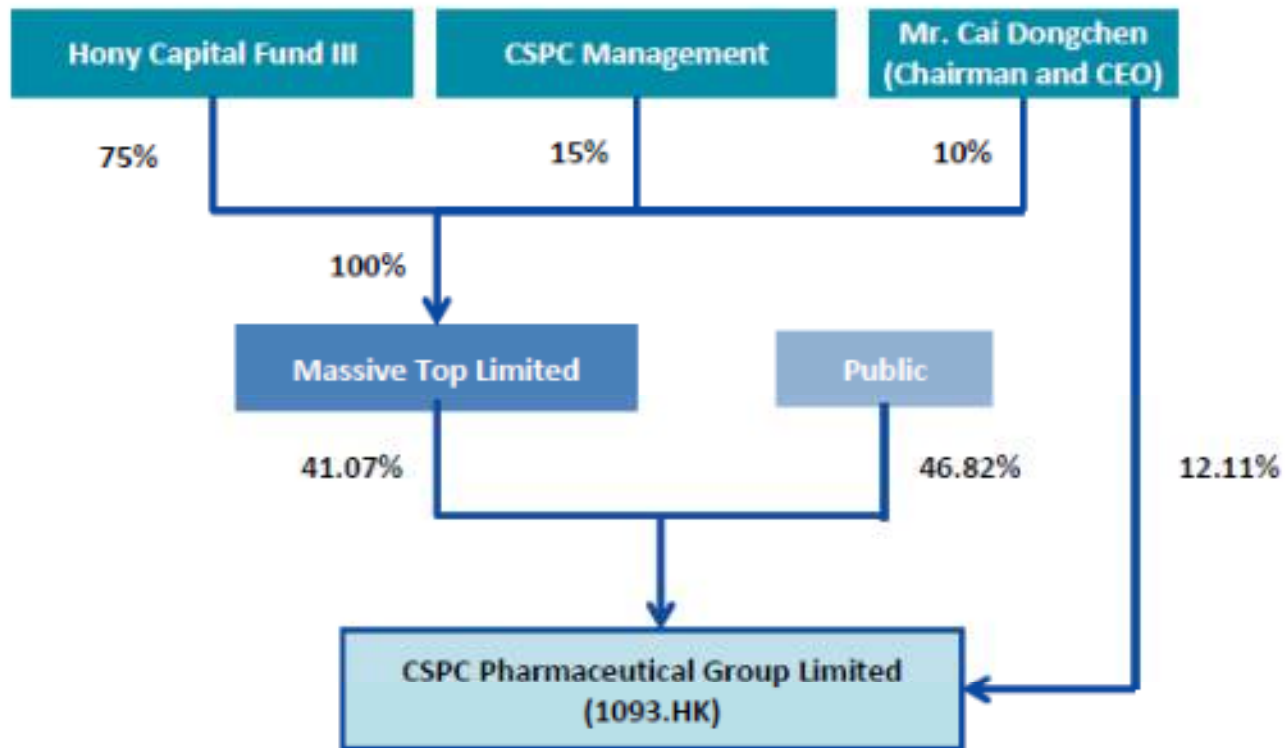
CSPC has done well with generic drug development. It filed clinical trials for 34 products in 2014, with 18 among the three earliest-to-market generics. The company obtained production approvals for six products in 2014. CSPC is expected to file more clinical trials in 2015 and expects to receive approvals for up to 10 products.

CSPC submitted two ANDA applications in the U.S. during 2014. It has a total of nine drugs applying for ANDA in the U.S. In addition, CSPC passed the U.S. FDA's on-site inspection for three production lines for menatetrenone capsule, cefotaxime sodium injection and cefixime tablet in 2014. The company's application for Phase II clinical trial protocols for NBP soft capsules has been approved by the U.S. FDA, and it has completed the pharmacokinetic research in human subjects as requested by the U.S. FDA.

CSPC is developing a generic for Velcade that can be combined with doxil to treat MM, a standard of care. The cost of Velcade in China may get up to 12k per injection.

CSPC is developing paclitaxel albumin-stabilized nanoparticles for the treatment of NCSLC and pancreatic cancer, which allows for the delivery of paclitaxel at 260-300 mg/m², much higher than traditional 175-225mg/m² and thus increasing its bioavailability, making it more effective for metastatic cancer.

Figure 4: CSPC: Updated shareholder and corporate structure



Source: Company data.

Investment Thesis, Valuation and Risks

CSPC Pharmaceutical (*Overweight; Price Target: HK\$8.10*)

Investment Thesis

After acquiring OYY, NBP and XNW from its parent company in October 2012, CSPC Pharma (formerly China Pharmaceutical) has undergone a strategic transformation from a manufacturer of bulk medicine products to a provider of innovative drugs and branded generics, which, in our opinion, has made CSPC one of the more compelling investment opportunities in the China healthcare space. Although we are quite cautious on the drug subsector overall because of policy headwinds, including tenders and price cuts, the ongoing investigation of GSK and anti-bribery efforts by the Chinese government, we believe CSPC can withstand policy headwinds better than many of its peers because its strong portfolio of unique, innovative and branded generic products provides strong pricing power. In addition, the company's API businesses partly shield CSPC from government price control of finished drugs.

Valuation

Our Dec-15 price target of HK\$8.10 is based on a DCF valuation that assumes a market premium of 6.0% and a risk-free rate of 4.2% (yield on 10-year government notes in China). We assume a beta of 0.89, based on a regression analysis performed by Bloomberg. Accordingly, we assume a WACC of 9.6%. We estimate free cash flow for CSPC until 2017 and assume a terminal growth rate of 5.0%, at the high end of the 3-6% range used for healthcare stocks, as we see CSPC outgrowing its peers for an extended period of time. Our PT implies a FY15E P/E of 26.5x.

Risks to Rating and Price Target

Key risks to our rating and PT include an unexpected sales slowdown for CSPC's key products and further erosion of VC ASPs. In addition, we see risks from an unexpected industrywide slowdown, unexpected safety issues seen with some newer products and larger-than-expected sales force turnover.

CSPC Pharmaceutical: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E	HK\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E
Revenues	9,949	10,955	12,531	14,409	16,621	EBIT	1,180	1,674	2,266	2,814	3,576
% change Y/Y	139.9%	10.1%	14.4%	15.0%	15.4%	Depr. & amortization	670	757	390	398	353
Gross Profit	3,133	4,187	5,015	6,036	7,254	Change in working capital	(926)	(638)	(263)	(403)	(397)
% change Y/Y	73.5%	33.7%	19.8%	20.4%	20.2%	Taxes	(223)	(258)	(337)	(478)	(549)
EBITDA	1,850	2,431	2,656	3,212	3,928	Cash flow from operations	815	1,507	2,024	2,294	2,940
% change Y/Y	91.5%	31.4%	9.2%	20.9%	22.3%	Capex	(597)	(703)	(353)	(371)	(390)
EBIT	1,180	1,674	2,266	2,814	3,576	Net Interest	(73)	(54)	(73)	(73)	(73)
% change Y/Y	54.5%	41.9%	35.3%	24.2%	27.0%	Other	1,221	(7)	(10)	(13)	(16)
EBIT Margin	11.9%	15.3%	18.1%	19.5%	21.5%	Free cash flow	275	847	1,728	1,982	2,608
Net Interest	(73)	(54)	(73)	(73)	(73)	Equity raised/(repaid)	0	0	0	0	0
Earnings before tax	1,248	1,621	2,194	2,743	3,504	Debt raised/(repaid)	0	0	0	0	0
% change Y/Y	(45.8%)	30.0%	35.3%	25.0%	27.8%	Other	(1,347)	0	0	0	0
Tax	(258)	(337)	(478)	(549)	(701)	Dividends paid	(383)	(516)	(699)	(908)	(1,161)
as % of EBT	20.7%	20.8%	21.8%	20.0%	20.0%	Beginning cash	1,450	1,188	1,468	2,430	3,432
Net income (reported)	973	1,268	1,694	2,167	2,769	Ending cash	1,188	1,468	2,430	3,432	4,805
% change Y/Y	(55.0%)	30.4%	33.6%	27.9%	27.8%	DPS	0.08	0.10	0.13	0.17	0.22
Shares outstanding	5,395	6,000	6,000	6,000	6,000						
EPS (reported)	0.17	0.21	0.28	0.36	0.46						
% change Y/Y	(64.9%)	28.5%	32.8%	27.9%	27.8%						
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E	HK\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E
Cash and cash equivalents	1,188	1,468	2,430	3,432	4,805	Gross margin	31.5%	38.2%	40.0%	41.9%	43.6%
Accounts receivable	3,135	3,240	3,396	3,565	3,748	EBITDA margin	18.6%	22.2%	21.2%	22.3%	23.6%
Inventories	1,855	2,043	2,337	2,687	3,099	Operating margin	11.9%	15.3%	18.1%	19.5%	21.5%
Others	195	593	565	541	1,212	Net margin	9.8%	11.6%	13.5%	15.0%	16.7%
Current assets	6,373	7,344	8,728	10,225	12,863	Sales per share growth	115.9%	(1.0%)	14.4%	15.0%	15.4%
LT investments	63	66	69	73	76	Sales growth	139.9%	10.1%	14.4%	15.0%	15.4%
Net fixed assets	4,961	5,496	5,505	5,533	5,632	Net profit growth	(55.0%)	30.4%	33.6%	27.9%	27.8%
Total Assets	12,201	13,162	14,559	16,087	18,828	EPS growth	(64.9%)	28.5%	32.8%	27.9%	27.8%
Liabilities						Interest coverage (x)	25.5	44.7	36.4	44.0	53.8
Short-term loans	933	851	933	933	933						
Payables	936	967	1,013	1,064	1,119	Net debt to equity	5.6%	(0.2%)	(8.9%)	(17.5%)	(26.9%)
Others	1,970	2,277	2,549	2,852	4,038	Working Capital to Sales	0.3	0.3	0.3	0.4	0.4
Total current liabilities	3,838	4,096	4,496	4,849	6,090	Sales/assets	0.8	0.9	0.9	0.9	1.0
Long-term debt	680	602	680	680	680	Assets/equity	1.8	1.6	1.6	1.6	1.6
Other liabilities	85	183	183	183	183	ROE	13.9%	16.3%	19.8%	22.6%	25.4%
Total Liabilities	4,604	4,881	5,359	5,713	6,953	ROCE	10.0%	14.2%	17.5%	20.1%	22.9%
Shareholders' equity	7,453	8,121	9,018	10,166	11,632						
BVPS	1.38	1.35	1.50	1.69	1.94						

Source: Company reports and J.P. Morgan estimates.

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CSPC Pharmaceutical (1093.HK, 1093 HK) Price Chart



Date	Rating	Share Price (HK\$)	Price Target (HK\$)
11-Sep-13	OW	4.06	5.50
06-Jan-14	OW	5.96	7.10
27-Aug-14	OW	6.62	8.10

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Sep 11, 2013.

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