



Rating
Buy

Asia
Hong Kong

Consumer
Food & Beverage

Company
WH Group Alert

Reuters 0288.HK Bloomberg 288 HK Exchange HSI Ticker 0288

Date
25 March 2015

Results

Price at 25 Mar 2015 (HKD)	4.07
Price target - 12mth (HKD)	7.20
52-week range (HKD)	6.98 - 3.80
HANG SENG INDEX	24,400

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2014 results first take

NPAT USD766m vs DBe USD693m, mainly due to higher assoc/JV contribution

WH Group (WHG) reported a NPAT of USD766m, higher than DBe of USD693m, mainly as share of profits of associates (primarily its 37%-owned Campofrio) and joint ventures in Mexico together increased from USD3m to USD63m, vs. DBe of USD5m. During the year, its 73.26%-owned Shuanghui (000895 CH, NR) reported a 4% NPAT growth yoy to RMB4,215m, and its wholly-owned Smithfield reported USD556m NPAT, up from USD121m a year ago.

No dividend declared

WHG has a dividend policy of paying no less than 30% of NPAT, depending on its financial condition, capital requirements, etc. Nevertheless, the company declared no dividend for the year, as management believes it is to shareholders' benefit for the company to repay more debt to lower finance cost. It plans to pay dividend starting 2016. As of end 2014, WHG net debt totaled USD3.67bn. During the year, its USD1,560m operating cash inflow was largely absorbed by investing and financing outflow, resulting in USD187m cash increase.

10% NPAT CAGR in 3-5 years

WHG targets a 10% NPAT CAGR over the next 3-5 years, driven by: 1) product mix improvement in China; and 2) improved branding strategy in the US; and 3) efficiency and, therefore, margin improvement as Smithfield is integrating its supply chain, production and marketing. In 2015, although US hog prices have been falling, lower input costs will help safeguard margin, and management is confident in the performance of its fresh and packaged meat businesses in the US. In China, management targets RMB50-70/head profit from fresh meat, and RMB2,500/tonne profit from packaged meat, both of which are similar to the 2014 level.

Stock data

Market cap (HKDm)	59,619
Market cap (USDm)	7,688
Shares outstanding (m)	12,893.1
Major shareholders	Management (34%)
Free float (%)	35.6
Avg daily value traded (USDm)	9.6

Source: Deutsche Bank

Key data

FYE 12/31	2013A	2014E	2015E
Sales (USDm)	11,253	21,930	24,209
Net Profit (USDm)	-263.0	693.2	876.5
DB EPS (USD)	0.04	0.05	0.06
PER (x)	-	11.1	9.0
Yield (net) (%)	-	3.4	3.4

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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