



Company Report: CIMC (02039 HK)

公司报告: 中集集团 (02039 HK)

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Key Takeaways from Analyst Briefing

分析员会摘要

- Container manufacturing demand will be modest. Price may stay low but margin should be stable. Outlook of trailers demand is good. Enric will grow its business scale mainly by way of M&A. **Management reiterates that 2015 offshore engineering delivery will not be affected and expects revenue and profit to increase.** Profit growth may be high but absolute amount may not see a huge increase as the base was low. Going forward, Pteris will gradually move its manufacturing facilities back to China. For logistics, management hopes to achieve total sales target of RMB10 billion in 2015.
- Revise down 2015-2016 profit estimates** by 11.4% and 11.2% to RMB2,833 million and RMB3,112 million, respectively. Introduce 2017 forecasted profit of RMB3,464 million. 2015-2017 EPS are expected to be RMB1.026, RMB1.052 and RMB1.171, respectively.
- Maintain 'Buy' with TP of HK\$22.00.** One share price catalyst of CIMC would be to see a development milestone for its land in Qianhai. Although achieving this goal is considerably difficult and investors have been waiting for quite a long time, with this year's implementation of 'One Belt One Road' and further development of FTZ, the progress in Qianhai should also be accelerating. Thus, share price of CIMC should also have potential growth momentum. Our TP represents 37.2% upside potential. Potential risks include 1) offshore engineering orders are substantially delayed and 2) the development of land in Qianhai is far below the market expectation.
- 集装箱制造需求温和。价格可能维持较低但毛利率应保持平稳。车辆需求前景不错。安瑞科将通过并购扩大规模。**管理层强调 2015 年海工交付不会受到影响并预期今年收入和利润继续增加。**由于基数低, 利润增速较高但金额不会很大。未来 Pteris 将逐渐把生产设施搬回中国。管理层预计物流板块今年或实现目标收入人民币 100 亿元。
- 下调 2015-2016 盈利预测** 11.4% 及 11.2% 至人民币 28.33 亿元及人民币 31.12 亿元。预计 2017 年净利润为人民币 34.64 亿元。2015-2017 年每股盈利预计为人民币 1.026 元、人民币 1.052 元及人民币 1.171 元。
- 维持“买入”评级和目标价 22.00 港元。**公司其中一个股价催化是前海土地开发出现阶段性成果。虽然实现这个目标面临相当大的困难, 投资者也等待了很长时间, 但随着今年“一带一路”及自贸区等国家战略的落实, 前海的发展也需要加快, 公司仍然具备潜在的股价上升动能。目标价较目前股价有 37.2% 的上升空间。潜在风险包括 1) 海工订单大幅推迟以及 2) 前海土地开发大幅低于市场预期。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$22.00

Revised from 原目标价:

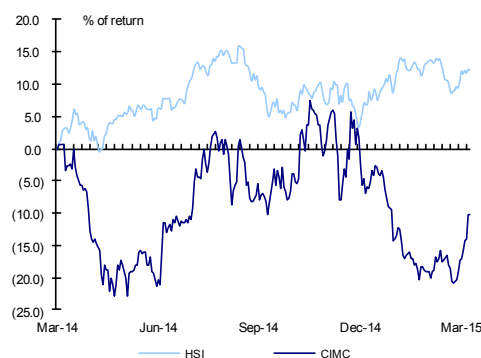
HK\$22.00

Share price 股价:

HK\$16.040

Stock performance

股价表现



Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	7.1	(6.2)	(11.8)
Rel. % to HS index 相对恒指变动	8.6	(10.9)	(23.7)
Avg. share price(HK\$) 平均股价 (港元)	14.9	15.3	16.3

Source: Bloomberg.

Year End 年结 12/31	Turnover 收入 (RMB m)	Net Profit 股东净利 (RMB m)	EPS 每股净利 (RMB)	EPS 每股净利变动 (Δ%)	PER 市盈率 (x)	BPS 每股净资产 (RMB)	PBR 市净率 (x)	DPS 每股股息 (RMB)	Yield 股息率 (%)	ROE 净资产收益率 (%)
2013A	57,874	2,180	0.819	12.4	15.3	7.765	1.6	0.270	2.2	10.9
2014A	70,071	2,478	0.929	13.5	13.6	8.340	1.5	0.311	2.5	11.5
2015F	73,688	2,833	1.026	10.4	12.4	9.337	1.4	0.324	2.6	11.4
2016F	79,518	3,112	1.052	2.5	12.0	10.045	1.3	0.332	2.6	10.9
2017F	88,243	3,464	1.171	11.3	10.8	10.834	1.2	0.370	2.9	11.2

Shares in issue (m) 总股数 (m)	2,672.6	Major shareholder 大股东	China Merchants (CIMC) Investment	23.2%
Market cap. (HK\$ m) 市值 (HK\$ m)	42,869.0	Free float (%) 自由流通比率 (%)		51.4
3 months average vol. 3 个月平均成交股数 ('000)	1,009.6	FY15 net gearing (%) FY15 净负债/股东资金 (%)		98.5
52 weeks high/low (HK\$) 52 周高低	19.480/13.620	FY15 Est. NAV (HK\$) FY15 每股估值 (HK\$)		26.3

Source: the Company, Guotai Junan International.

CIMC 中集集团 (02039 HK)

Company Report

Key takeaways from analyst briefing:

- 1) Container manufacturing:** Profit decline was partially due to the relocation of the manufacturing base. In 2015, demand for containers may continue to be modest. Price may also stay low as the steel price is expected to be low. Margin is expected to be relatively stable. Management mentioned that expenses and losses during the relocation of Shanghai manufacturing facilities were booked in 2014. However, allowance and relocation compensation from the government may have additional contribution in 2015.
- 2) Trailers:** 2014 profit saw substantial increase. Business in 2015 should be quite good, with increased demand from North American, Europe and China.
- 3) Enric:** 1H14 profit was negatively affected by the natural gas price adjustment, but 2H14 profit saw certain recovery. Chemical arm growth was modest but food equipment growth was significant. Demand for the clean energy will keep the growth of the business stable. But chemical equipment growth may depend on the growth of the economy. In 2015, management will focus on the potential merger and acquisition. Enric will grow its business scale mainly by way of M&A.
- 4) Offshore engineering:** The surge of revenue was due to the delivery of the self-build platform and some projects were in the later construction stage, leading to the surge of revenue recognized. During 2014, new orders were USD1.1 billion. Currently on hand orders achieve around USD5 billion. New order book was negatively affected by the decrease of oil price and reduction of oil exploration expenditures by the oil companies. Current order books have not been affected. But if the oil price continues to stay low, some delay of delivery might happen. Management reiterates 2015 delivery will not be affected and expects revenue and profit will continue to increase in 2015. Profit growth may be high but absolute amount may not see a huge increase as the base was low and management believe it's not the time to earn a lot of money. It's the time to live through the hard times.
- 5) Heavy trucks:** In 2014, CIMC conducted a capital increase to C&C Trucks and bought part of the equity of C&C Trucks held by the other shareholders. Currently the loss was due to the small business scale. The capital increase of heavy truck business was aiming to satisfying the clients' needs. Currently the clients are asking for full serious of products for trailers and trucks.
- 6) Airport facilities equipment:** Pteris and Ziegler have been consolidated. The reason for the decline of the segment net profit is the loss from Pteris. For Airport Surface Equipment, CIMC has strengthened the competitiveness of shuttle bus and platform vehicle in the airport segment, while still seeking opportunities to further improve the product line. For fire rescue services, Ziegler from Germany has re-established a team targeting the domestic market, and got the domestic orders of 17 main firefighting trucks, thus achieving a major breakthrough in the Chinese market. Going forward, Pteris will gradually move its manufacturing facilities back to China. The reason to put fire rescue services in this segment is that the technology and clients are quite similar with airport facilities. CIMC's target is to become the comprehensive airport facilities and solutions providers.
- 7) Logistics services:** sales revenue was RMB8.473 billion, representing an increase of 36.3% as compared with the corresponding period of the previous year (RMB6.216billion); net profit was RMB138 million, representing an decrease of 22.9% yoy. Management hopes to achieve total sales target of RMB10 billion in 2015. We think if the sales achieve RMB10 billion, the segment should turnaround into profitable. 2015 profit should be over RMB200 million.

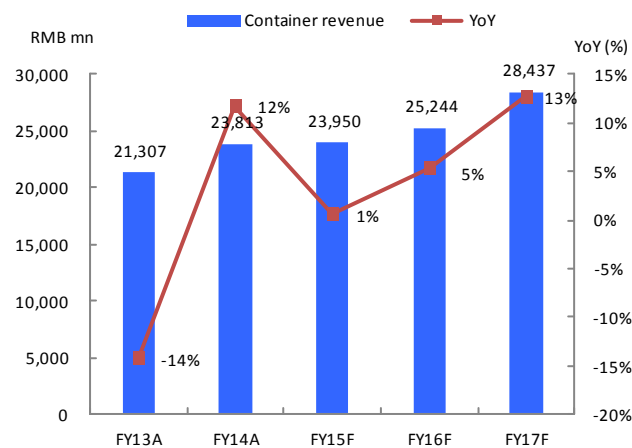
The earlier announced H share placement may be completed in July 2015. CIMC suggest to place H shares to COSCO Container, Broad Ride and Promotor Holdings, with subscription price of HKD13.48 per share and total proceeds of HKD3,850 million. It will enrich CIMS's capital, improve its solvency ability and satisfy the short term funding needs. The placement under the general mandate to certain H share holders will be subject to the approval by the shareholders at the general meeting and the approval of related regulators. CIMC expects it to be completed in July 2015.

2014 profit was below our expectation. During the year, revenue rose by 21% yoy and gross profit rose by 21% yoy. Container manufacturing business profit declined. Sales volume of dry boxes rose by 27% yoy, but price decreased. Profit from container business declined 30% yoy with gross margin down 1.3 ppts. Trailers business substantially improved with sales revenue of RMB13.390 billion (same period in 2013: RMB13.335 billion), representing a year-on-year increase of 0.4%. The net profit was RMB648 million (same period in 2013: RMB264 million), representing a year-on-year increase of 145.5%. The total sales of road transportation vehicles business were 115,200 units in 2014, representing a year-on-year increase of 9.9%. Energy, chemical and liquid food equipment business saw modest improvement. CIMC Enric continued to focus on product development. For the energy equipment business: large-diameter and high-pressure cylinders and winding cylinders, CNG hydraulic sub-stations, integrated and skid mounted CNG filling stations, and the LNG marine equipment. Offshore business turnaround as expected with revenue up 70% yoy to RMB11.9 billion and profit RMB5 million. CIMC Raffles made significant breakthroughs in order delivery in 2014 by delivering one deepwater semi-submersible drilling platform and four jack-up drilling platforms. C&C was consolidated in the financial statements from August 2014. From August 2014 to the end of 2014, the sales revenues of C&C Trucks was RMB1.059 billion, the net profit was loss of RMB60.0 million. In 2014, CIMC completed the acquisition of Pteris. Pteris and Ziegler are consolidated in the statement. the airport facilities business segment realised revenue of RMB2.727 billion, representing an increase of 207.2% as compared with RMB0.888 billion in the same period last year; its net profit was RMB87 million, representing a decrease of 25.0% as compared with RMB116 million in the same period last year. The reason for the decline of net profit is due to the loss from Pteris.

Revise down 2015-2016 profit estimates. Revise down 2015-2016 revenue by 8.7% and 9.9% to RMB73,688 million and RMB79,518 million, respectively. We expect 2017 revenue to be RMB88,243 million. Trim down 2015-2016 profits by 11.4% and 11.2% to RMB2,833 million and RMB3,112 million, respectively. Introduce 2017 forecasted profit of RMB3,464 million. 2015-2017 EPS are expected to be RMB1.026, RMB1.052 and RMB1.171, respectively.

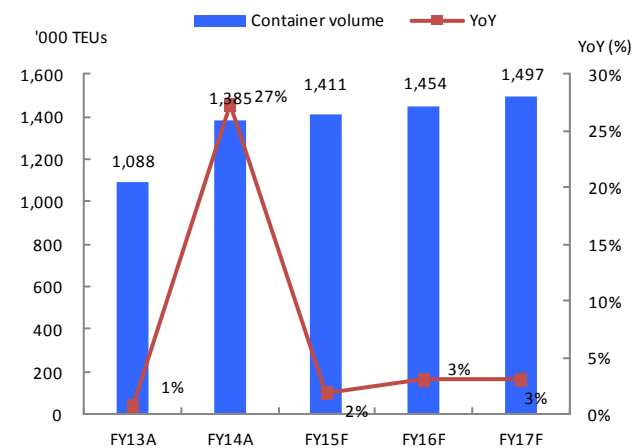
Maintain 'Buy' with TP of HK\$22.00. We think a possible share price catalyst of CIMC would be to see a development milestone for its land in Qianhai. Although achieving this goal is considerably difficult and investors have been waiting for quite a long time, with this year's implementation of 'One Belt One Road' and further development of FTZ, the progress in Qianhai should also be accelerating. Thus, share price of CIMC should also have potential growth momentum.

Figure-1:2015-2017 Container Revenue Estimates



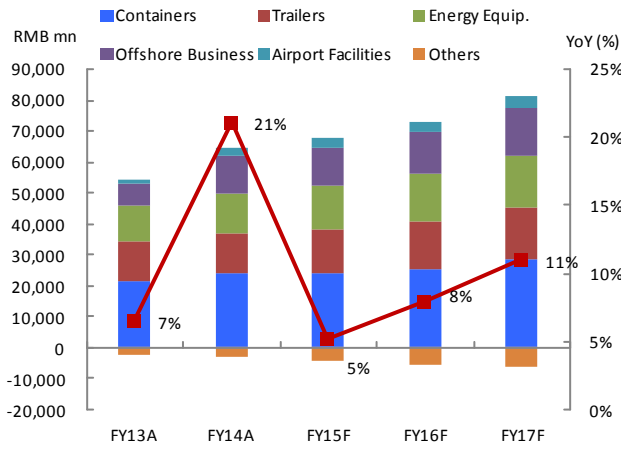
Source: the Company, Guotai Junan International.

Figure-2:2015-2017 Container Volume of CIMC



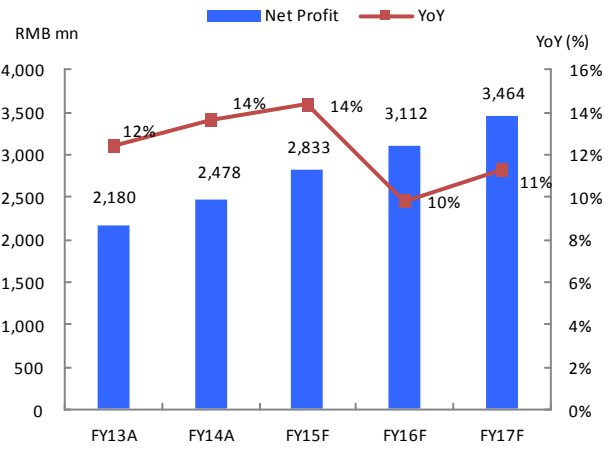
Source: the Company, Guotai Junan International.

Figure-3:2015-2017 Total Revenue Estimates of CIMC



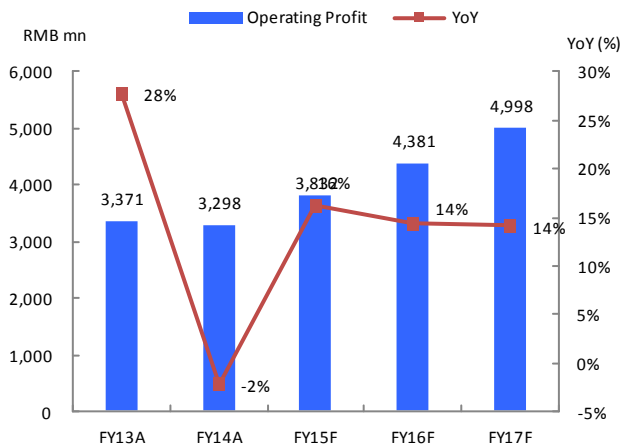
Source: the Company, Guotai Junan International.

Figure-4:2015-2017 Profit Estimates of CIMC



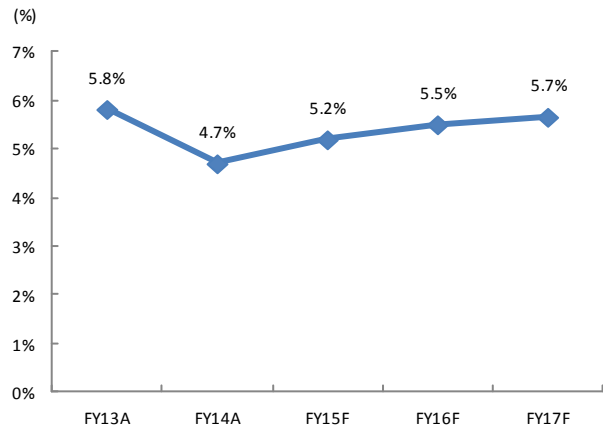
Source: the Company, Guotai Junan International.

Figure-5:2015-2017 Operating Profit of CIMC



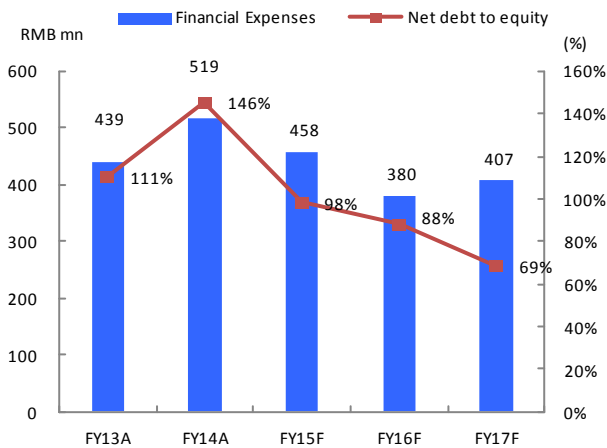
Source: the Company, Guotai Junan International.

Figure-6:2015-2017 Operating Margin of CIMC



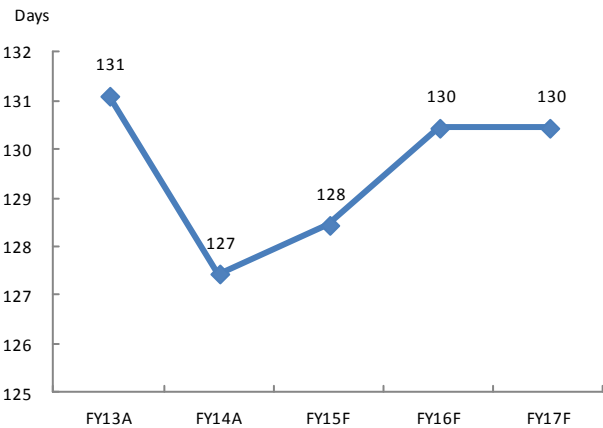
Source: the Company, Guotai Junan International.

Figure-7:2015-2017 Finance Expenses of CIMC



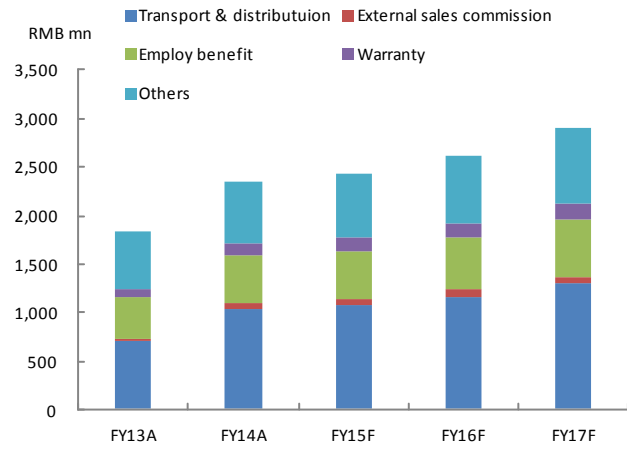
Source: the Company, Guotai Junan International.

Figure-8:2015-2017 Cash Conversion Cycle



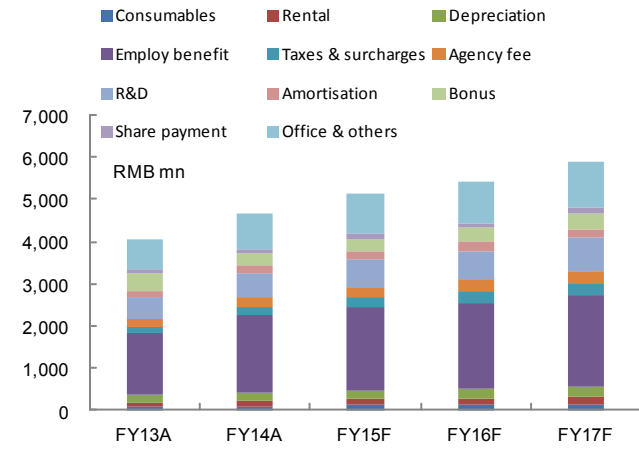
Source: the Company, Guotai Junan International.

Figure-9: 2015-2017 Selling & Distribution Costs



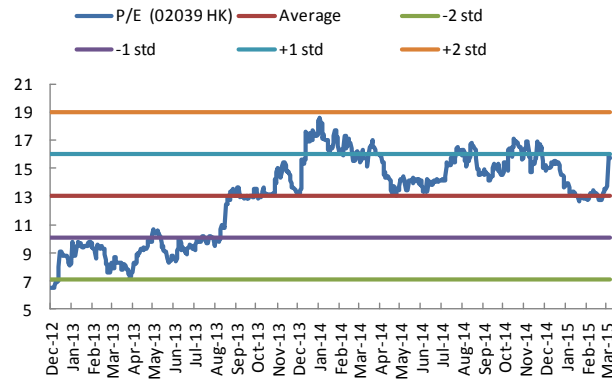
Source: the Company, Guotai Junan International.

Figure-10: 2015-2017 General & Administration Costs



Source: the Company, Guotai Junan International.

Figure-11: 2015-2015 Forward PE Chart



Source: Bloomberg, Guotai Junan International.

Table-1: Peers Comparison

Company	Stock Code	Currency	Last price	PE				PB				ROE(%)	D/Y(%)	EV/EBITDA	ROA(%)
				14A	15F	16F	17F	14A	15F	16F	17F	15F	15F	15F	15F
Singamas Container Hldgs	716 HK	HKD	1.16	12.5	10.6	7.7	7.1	n.a.	0.6	0.5	n.a.	5.3	3.3	4.7	2.5
China International Marine-H	2039 HK	HKD	16.04	13.4	12.6	10.8	9.5	1.5	1.3	1.1	1.2	10.7	2.3	10.5	3.2
Simple Average				13.0	11.6	9.3	8.3	1.5	0.9	0.8	1.2	8.0	2.8	7.6	2.9
Weighted Average				13.4	12.5	10.6	9.4	1.4	1.2	1.1	1.1	10.5	2.3	10.2	3.2
Cosco Corp Singapore Ltd	COS SP	SGD	0.51	54.8	30.0	26.8	24.3	0.8	0.8	0.8	0.8	2.7	1.4	13.8	0.3
Sembcorp Marine Ltd	SMM SP	SGD	2.99	11.1	11.3	11.3	13.5	2.1	1.9	1.8	1.7	17.7	4.4	7.9	6.9
Mitsui Engineer & Shipbuild	7003 JP	JPY	210.00	4.1	14.4	12.1	8.7	0.8	0.7	0.7	0.7	5.2	1.0	10.1	1.2
Hyundai Mipo Dockyard	010620 KS	KRW	73,700.00	n.a.	61.6	14.9	11.0	0.8	0.7	0.7	0.6	1.7	1.3	31.8	0.2
Hyundai Heavy Industries	009540 KS	KRW	122,500.00	n.a.	113.5	17.4	15.8	0.5	0.6	0.6	0.6	0.4	1.4	19.5	0.1
Daewoo Shipbuilding & Marine	042660 KS	KRW	18,150.00	30.6	10.7	7.6	6.0	0.7	0.7	0.6	0.6	5.9	1.5	13.2	1.6
Samsung Heavy Industries	010140 KS	KRW	18,400.00	26.6	12.4	12.4	9.5	0.7	0.7	0.7	0.6	5.7	2.0	7.6	2.0
Simple Average				25.4	36.3	14.6	12.7	0.9	0.9	0.8	0.8	5.6	1.9	14.8	1.8
Weighted Average				12.7	51.6	14.0	12.6	0.9	0.9	0.8	0.8	5.8	2.0	14.4	2.0
China Intl Marine Contain-A	000039 CH	CNY	21.98	23.6	20.2	16.3	11.6	2.6	2.3	2.0	1.9	10.2	1.3	n.a.	2.6
Weichai Power Co Ltd-A	000338 CH	CNY	30.13	n.a.	13.7	12.5	n.a.	n.a.	1.6	1.5	n.a.	12.5	0.9	6.7	3.5
Xcmg Construction Machin-A	000425 CH	CNY	14.87	n.a.	24.4	22.7	14.6	n.a.	1.4	1.4	1.2	5.3	0.5	14.4	2.2
Dalian Huarui Heavy Indus -A	002204 CH	CNY	14.97	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jiangyin Zhongnan Heavy-A	002445 CH	CNY	29.91	n.a.	30.5	20.2	19.9	n.a.	4.6	3.8	n.a.	17.3	0.9	n.a.	8.7
Dajin Heavy Industry Corp-A	002487 CH	CNY	13.79	106.1	49.3	n.a.	n.a.	3.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shandong Longquan Pipeline-A	002671 CH	CNY	13.96	n.a.	22.4	18.2	n.a.	n.a.	3.7	3.2	n.a.	14.8	n.a.	n.a.	n.a.
Changzhou Tiansheng New-A	300169 CH	CNY	11.25	n.a.	35.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zhangjiagang Furui Special-A	300228 CH	CNY	62.61	n.a.	29.2	22.4	n.a.	n.a.	5.8	4.8	n.a.	18.0	0.4	n.a.	7.4
Henan Mingtai Al Industria-A	601677 CH	CNY	15.62	35.5	30.6	22.6	n.a.	2.4	2.1	2.0	n.a.	6.6	n.a.	n.a.	n.a.
Simple Average				55.1	28.4	19.3	15.4	2.7	3.1	2.7	1.6	12.1	0.8	10.6	4.9
Weighted Average				27.0	21.6	17.2	13.7	2.7	2.3	2.0	1.6	10.8	1.0	9.7	3.5

Source: Bloomberg.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end Dec (RMB m)	2013A	2014A	2015F	2016F	2017F	Year end Dec (RMB m)	2013A	2014A	2015F	2016F	2017F
Revenue	57,874	70,071	73,688	79,518	88,243	PP&E	20,193	29,512	29,300	28,376	27,589
Cost of sales	(48,242)	(58,769)	(61,643)	(66,388)	(73,516)	Investment properties	325	366	238	109	(19)
Business taxes and surcharges	(508)	(403)	(424)	(457)	(508)	Goodwill & intangible	1,138	1,166	1,437	1,729	2,054
Selling & distribution expenses	(1,833)	(2,348)	(2,432)	(2,624)	(2,912)	Other non-current assets	446	396	396	396	396
General & administrative expenses	(4,042)	(4,656)	(5,190)	(5,543)	(6,145)	Non-current assets	5,096	6,020	5,793	5,512	5,228
Share of profit/loss of associates	509	436	458	495	549		4,238	5,145	8,015	8,031	7,854
Non-operating income	274	390	410	442	491	Cash and cash equivalents	31,436	42,604	45,178	44,154	43,102
Non-operating expenses	(82)	(117)	(123)	(133)	(148)	Trade and other receivables	4,771	3,667	4,521	3,623	5,352
Other gain/loss	51	(513)	(167)	(240)	(306)	Other current assets	14,249	15,662	15,792	18,150	19,516
Finance expense	(439)	(519)	(458)	(380)	(407)	Current assets	22,150	25,843	21,787	28,139	26,595
Profit before tax	3,563	3,570	4,118	4,690	5,341		41,170	45,172	42,100	49,912	51,463
Taxation	(928)	(536)	(619)	(705)	(803)	Trade and other payables	12,226	16,389	13,152	18,163	16,242
Profit after tax	2,634	3,034	3,500	3,985	4,539	Bank and other debt	11,624	17,745	12,000	12,000	10,000
Minority interest	(454)	(556)	(666)	(873)	(1,074)	Other current liabilities	8,726	9,206	9,673	10,979	12,045
Net profit attributable to shareholders	2,180	2,478	2,833	3,112	3,464	Total current liabilities	32,576	43,340	34,825	41,142	38,287
DPS (RMB)	0.270	0.311	0.324	0.332	0.370	Bank and other debt	14,212	15,565	17,442	14,927	14,868
Basic EPS (RMB)	0.819	0.929	1.026	1.052	1.171	Long-term payables	243	673	673	673	673
YoY (%)	12.4	13.5	10.4	2.5	11.3	Other non-current liabilities	1,079	916	1,055	1,073	1,077
						Total non-current liabilities	15,533	17,154	19,170	16,673	16,618
Cash Flow Statement						Financial Ratio					
Year end Dec (RMB m)	2013A	2014A	2015F	2016F	2017F	Non-controlling interests	3,822	4,992	5,658	6,531	7,605
Profit after tax	2,634	3,034	3,500	3,985	4,539	Common stock - par value	2,662	2,673	2,959	2,959	2,959
Depreciation and amortization	1,201	1,803	1,817	2,333	2,450	Reserves	18,012	19,618	24,667	26,761	29,096
Others	(191)	685	(201)	(1,084)	(945)	Shareholders' equity	24,496	27,282	33,283	36,251	39,660
Change in working capital	(895)	913	1,121	(2,223)	(522)	BPS(RMB)	7.765	8.340	9.337	10.045	10.834
Net cash flow from operating activities	2,750	6,434	6,236	3,011	5,521	YoY (%)	5.9	7.4	12.0	7.6	7.9
Capex	(6,930)	(12,873)	(4,854)	(1,000)	(1,250)						
Others	1,015	1,462	378	589	611	Gross margin (%)	13.7	13.7	13.2	13.4	13.6
Net cash flow from investing activities	(5,915)	(11,411)	(4,476)	(411)	(639)	Operating margin (%)	5.8	4.7	5.2	5.5	5.7
Change in bank and other debt	2,910	6,121	(3,862)	(2,515)	(2,059)	SG&A to revenue (%)	10.2	10.0	10.3	10.3	10.3
Dividends paid	(1,670)	(2,220)	(895)	(983)	(1,094)	Net income margin (%)	3.8	3.5	3.8	3.9	3.9
Others	2,393	40	3,850	-	-	ROA (%)	3.2	3.1	3.2	3.4	3.7
Net cash flow from financing activities	3,633	3,941	(907)	(3,498)	(3,153)	ROE (%)	10.9	11.5	11.4	10.9	11.2
Beginning cash balance	4,398	4,771	3,667	4,521	3,623	Current ratio (x)	1.3	1.0	1.2	1.2	1.3
Cash flow net changes in cash	374	(1,104)	853	(898)	1,729	Quick ratio (x)	0.8	0.7	0.8	0.8	0.9
Ending cash balance	4,771	3,667	4,521	3,623	5,352	Net debt/equity (%)	110.6	145.7	98.5	88.1	69.1
						Total debt/equity (%)	133.7	162.1	114.8	100.3	85.8
						Interest coverage ratio (x)	7.7	6.4	8.4	11.5	12.3

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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