

27 March 2015

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## 盈亏平衡

中国远洋 (1919:HK)

### Market Data: Mar,26

Closing Price (HK\$)	3.83
Price Target (HK\$)	3.96
HSCEI	11,920
HSCCI	4,515
52-week High/Low (HK\$)	4.33/2.97
Market Cap (USD Mn)	5,045
Market Cap (HK\$ Mn)	39,128
Shares Outstanding (Mn)	10,216
Exchange Rate (RMB-HK\$)	1.26

### Price Performance Chart:



Source: Bloomberg

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### Related Reports

"CHINA COSCO HOLDINGS (1919:HK)—Delayed recovery" Dec 31,2014

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### Financial summary and valuation

	2013	2014	2015E	2016E	2016E
Revenue (Rmbm)	66137.86	66901.44	68981.72	73054.88	77315.76
YoY (%)	(25.12)	1.15	3.11	5.90	5.83
Net income (Rmbm)	235.47	362.53	627.69	1053.74	1314.36
YoY (%)	(102.46)	53.96	73.14	67.87	24.73
EPS (Rmb)	0.02	0.04	0.06	0.10	0.13
Diluted EPS (Rmb)	0.02	0.04	0.06	0.10	0.13
ROE (%)	6.84	3.61	2.17	3.86	4.73
Debt/asset (%)	90.67	81.33	97.07	79.75	78.00
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
PE (x)	131.88	85.66	49.47	29.47	23.63
PB (x)	1.28	1.27	1.26	1.26	1.25
EV/Ebitda (x)	45.92	22.19	17.35	15.61	12.98

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

### 投资要点:

**2014 盈亏平衡。**中国远洋 2014 收入同比增长 1.15% 达人民币 36.2 亿元，经营溢利同比增长 -180.03% 达人民币 10.4 亿元。归属于公司持有者的净利同比上涨 53.96% 达人民币 3.63 亿元。得益于补贴收入和资产处置受益，公司在 2014 年基本盈亏平衡。中国远洋 2014 年不派发股息。

**BDI 或将反弹，然而散货航运板块的亏损仍将持续。**中国远洋 2014 年散货航运板块收入为 125.6 亿元，经营亏损为 10.4 亿元，BDI 2014 年均值 1105 点。截至目前，2015 年 BDI 均值为 615 点，同比下滑 55.04%。BDI 已经触及 30 年新低，几乎所有的干散货航运商都陷入巨额亏损，BDI 或将反弹，我们预计 2015 年 BDI 均值为 1200 点。中国远洋运营全球最大的干散货船队，估值（市净率）与 BDI 高度相关，过去一年来，相关系数高达 0.65。BDI 的反弹，将驱动中国远洋估值提升。然而干散货板块 2015 年仍将持续巨额亏损。

**受益于油价下行，集装箱航运板块扭亏为盈。**中国远洋集装箱航运板块收入同比增长 4.14% 达人民币 503.2 亿元，经营溢利为人民币 10.2 亿元，2013 年经营亏损为 9.9 亿元。盈利的改善主要得益于油价的下跌。我们预期 2015 年 SCFI 的均值为 1000 点，略低于 2014 年的 1072 点。集装箱航运板块仍将受益于低油价而贡献盈利。

**重申持有，维持目标价不变。**拆船补贴和资产剥离有望帮助中国远洋在 2015 年盈利。我们维持中国远洋 15 年的每股盈利人民币 0.06 元 (+73.14%)，16 年每股盈利人民币 0.10 元 (+67.3%)，并推出 17 年每股盈利人民币 0.13 元 (+24.73%)。目标价为港币 3.96 元，对于 1.3 倍的 14 年 PB。对于 3% 的上升空间，我们维持持有评级。

### Investment Highlights :

**Breakeven thanks to disposal gains.** COSCO reported 2014 revenue of Rmb66.9bn, up 1.15% YoY, while operating profit expanded from -Rmb1.3bn in 2013 to Rmb1.04bn in 2014. Net profit for the year grew 53.96% YoY to Rmb363m. Thanks to disposal gains of Rmb608m, the company reached breakeven. The company will not pay a dividend for 2014.

**BDI will rebound, bulk shipping losses to continue in 15E.** COSCO's bulk shipping segment reported revenue of Rmb12.56bn and operating loss of Rmb1.04bn in 2014, while the average Baltic Dry Index (BDI) for the year was 1,105. In the first three months of 2015, the BDI has averaged 615, representing a 55.04% YoY decline. BDI has reached 30 years historical low and most bulk shipping companies experience huge losses. We expect BDI to rebound in coming months to reach a full-year average of 1,200. Although we expect COSCO's bulk shipping losses may continue in 2015, stock price may rebound with BDI. As China's largest bulk shipping company, COSCO's PB valuation is highly correlated to the BDI performance, with a correlation of 0.65 over the past year.

**Lower bunker price makes container shipping profitable.** COSCO's container shipping revenue grew by 4.14% YoY to Rmb50.32bn, and the company reversed an operating loss to post a profit of Rmb1.02bn in 2014. The chief cause was the declining cost of bunker fuel since 3Q14. The average Shanghai Container Freight Index (SCFI) in the year-to-date was 1,007, representing a decline of 6.72% YoY. However, we expect the SCFI to average 1,000 in 2015, compared with 1,072 in 2014. Container shipping operating profit may continue given decline of bunker price in 2015.

**Maintain Hold.** Government scrapping subsidies and asset disposal gains may help COSCO stay at breakeven in 2015. We maintain our EPS forecast of Rmb0.06 in 15E (+73.14%) and Rmb0.10 in 16E (+67.3% YoY) and forecast EPS of Rmb0.13 (+24.73%) in 17E. We maintain our target price of HK\$3.96, representing 1.3x 15E PB. With 3% upside, we maintain our Hold rating on the company.

## APPENDIX

**Table 1: Consolidated Income Statement**

(Rmbm)	2013	2014	2015E	2016E	2017E
Revenue	66,138	66,901	68,982	73,055	77,316
CostofSales	67,030	62,877	86,022	64,890	68,135
GrossProfit	(892)	4,024	7,299	8,165	9,181
OtherIncome	3,765	1,327	200	200	200
SGAExpenses	4,176	4,308	4,472	4,749	5,026
EBITDA	2,776	5,317	7,927	9,137	10,716
EBIT	(1,303)	1,043	3,027	3,616	4,356
FinanceCosts	(2,190)	(1,967)	(1,869)	(1,750)	(1,729)
ProfitBeforeTax	3,179	507	2,597	3,374	4,208
IncomeTaxExpense	299	(1,044)	1,640	1,640	2,046
MinorityInterests	2,644	1,188	329	680	848
ProfitfortheYear	235	363	628	1,054	1,314

Source: SWS Research

**Table 2: Consolidated Cash Flow Statement**

(Rmbm)	2013	2014	2015E	2016E	2017E
<b>ProfitBeforeTaxation</b>	3,179	507	2,597	3,374	4,208
DeprAndAmortisation	4,079	4,274	4,901	5,521	6,360
FinanceCost	2,190	1,967	1,869	1,750	1,729
LossesFromInvestments	(7,965)	0	0	0	0
ChangeInWorkingCapital	(1,994)	5,324	(13,376)	30,199	(4,645)
Others	(3,648)	(1,327)	(200)	(200)	(200)
CFFromOperatingActivities	(2,317)	11,754	(6,147)	38,968	5,372
CAPEX	13,407	13,161	15,966	19,309	23,288
OtherCFFromInvestingActivities	14,218	14,859	14,817	11,303	(4,711)
CFFromInvestingActivities	811	1,698	(1,149)	(8,006)	(27,999)
EquityFinancing	16	1,188	329	680	848
NetChangeInLiabilities	8,241	11,406	16,786	14,096	15,441
DividendAndInterstPaid	(3,770)	(2,744)	(1,869)	(1,750)	(1,729)
OtherCFFromFinancingActivities	(371)	36	(351)	578	(128)
CFFromFinancingActivities	4,115	9,886	14,895	13,604	14,432
NetCashFlow	2,609	23,338	7,599	44,567	(8,194)
FCFF	13,890	24,845	8,877	57,006	27,313
FCFE	19,941	34,284	23,794	69,353	41,025

Source: SWS Research

**Table 3: Consolidated Balance Sheet**

(Rmbm)	2013	2014	2015E	2016E	2017E
CurrentAssets	64,511	50,720	75,649	74,380	68,712
BankBalancesAndCash	48,206	39,706	58,476	61,313	54,905
TradeAndOtherReceivables	9,079	7,722	12,810	9,741	10,309
Inventories	2,375	1,927	3,441	2,596	2,725
OtherCurrentAssets	4,000	500	0	0	0
LongTermInvestment	12,499	14,425	13,329	14,373	15,587
PPE	81,404	80,097	87,619	87,666	89,686
IntangibleAndOtherAssets	114	107	260	764	1,572
<b>TotalAssets</b>	<b>161,862</b>	<b>148,788</b>	<b>179,991</b>	<b>180,216</b>	<b>178,490</b>
CurrentLiabilities	48,070	35,975	64,007	63,864	71,897
Borrowings	28,044	18,886	39,495	45,351	52,552
TradeAndOtherPayables	18,152	15,377	22,637	16,639	17,470
OtherCurrentLiabilities	603	493	603	603	603
LongTermLiabilities	69,635	69,328	69,036	69,301	58,567
<b>TotalLiabilities</b>	<b>119,748</b>	<b>105,830</b>	<b>135,812</b>	<b>135,357</b>	<b>132,783</b>
MinorityInterests	17,891	18,579	19,955	20,635	21,483
ShareholderEquity					
ShareCapital	10,216	10,216	10,216	10,216	10,216
Reserves	14,006	14,163	14,007	14,007	14,007
EquityAttributable	24,223	24,379	24,224	24,224	24,224
<b>TotalLiabilitiesAndEquity</b>	<b>161,862</b>	<b>148,788</b>	<b>179,991</b>	<b>180,216</b>	<b>178,490</b>

Source: SWS Research

**Table 4: Key Financial Ratios**

	2013	2014	2015E	2016E	2017E
Ratios per share (RMB)					
Earnings per share	0.02	0.04	0.06	0.10	0.13
OperatingCFPerShare	(0.23)	1.15	(0.60)	3.81	0.53
DividendPerShare	0.00	0.00	0.00	0.00	0.00
Key Operating Ratios(%)	2.37	2.39	2.37	2.37	2.37
NetAssetsPerShare					
ROIC	(6.32)	0.88	2.06	1.25	2.24
ROE	6.84	3.61	2.17	3.86	4.73
GrossProfitMargin	(1.35)	6.01	10.58	11.18	11.87
EBITDAMargin	4.20	7.95	11.49	12.51	13.86
EBITMargin	(1.97)	1.56	4.39	4.95	5.63
GrowthRateOfRevenue	(25.12)	1.15	3.11	5.90	5.83
GrowthRateOfProfit	(102.46)	53.96	73.14	67.87	24.73
DebtToAssetRatio	73.98	71.13	75.45	75.11	74.39
TurnoverRateOfNetAssets	1.57	1.56	1.56	1.63	1.69
TurnoverRateOfTotalAssets	0.51	0.47	0.50	0.44	0.46
EffectiveTaxRate	9.42	(205.71)	63.16	48.61	48.61
DividendYield	0.00	0.00	0.00	0.00	0.00
Valuation Ratios (X)					
PE	131.88	85.66	49.47	29.47	23.63
PB	1.28	1.27	1.28	1.28	1.28
EVSale	1.93	1.76	1.99	1.95	1.80
EVEBITDA	45.92	22.19	17.35	15.61	12.98

Source: SWS Research

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