

30 March 2015

Buy
Unchanged

曙光将现

中国信达 (1359 HK)

Market Data: Mar, 27

Closing Price (HK\$)	3.69
Price Target (HK\$)	5.12
HSCEI	11,898
HSCCI	4,547
52-week High/Low (HK\$)	4.54/3.31
Market Cap (USD Mn)	17,246
Market Cap (HK\$ Mn)	133,787
Shares Outstanding (Mn)	36,257
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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Related Reports

"CHINA CINDA ASSET MANAGEMENT (1359:HK)_Property beneficiary" Jan 8, 2015

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (Rmbm)	42,413	59,790	82,229	109,102	141,854
YoY (%)	31.17	40.97	37.53	32.68	30.02
Net income (Rmbm)	9,027	11,896	15,791	19,898	24,078
YoY (%)	23.56	31.78	32.74	26.01	21.01
EPS (Rmb)	0.3	0.33	0.44	0.55	0.67
Diluted EPS (Rmb)	0.3	0.33	0.44	0.55	0.67
BPS (Rmb)	2.5	2.58	2.92	3.39	3.90
ROE (%)	13.81	14.02	14.94	15.27	16.26
Asset/Equity	4.64	5.34	5.67	5.73	5.91
PE (x)	9.72	8.83	6.65	5.28	4.36
PB (x)	1.17	1.13	1.00	0.86	0.75

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

业绩符合预期。中国信达上周五公布年报业绩。全年总收入达到 598 亿元，同比增长 41%。全年净利润达到 119 亿元，同比增速达到 32%，基本每股收益为 0.33 元，符合我们的预期。从收入结构来看，不良资产管理业务、金融投资及资产管理、金融服务三大业务板块分别占比 53%、20%和 27%；从利润结构来看，不良资产管理业务、金融投资及资产管理、金融服务三大业务板块分别占比 70%、21%和 9%。

以量补价。随着经济增速下滑，不良资产规模快速增长，为公司扩大资产规模创造了有利的环境，公司 2014 年新增收购的传统类不良资产和重组类不良资产同比增速分别达到 150%和 55%。但与此同时，资产价格的低迷也使得公司资产处置收益率有所下行，2014 年传统类不良资产处置收益率由 19.3%下滑至 18.6%，重组类不良资产收益率由 13.5%下滑至 12.2%。重组类不良资产不良率由 1.03%上升至 1.24%，拨备覆盖率由 291%下滑至 267%。即便资产规模快速扩张，公司杠杆率仍然保持在 5.3 倍的稳健水平，低于 8 倍的监管上限要求。我们认为在一个经济软着陆的背景下，公司仍将保持资产规模的较快增长，而处置收益和信贷成本的最坏时刻也许已经过去。

房地产市场前景改善。在公司重组类不良资产经营业务中，房地产行业占比接近 60%，这使得公司资产质量和处置收益对房地产市场的变化较为敏感。但我们认为投资者无需过度担忧，首先，公司 70%的地产相关资产都位于一二线城市，即便是三四线城市的相关资产，也是大中型开发商在三四线城市的项目，风险可控。其次，由于持续的流动性宽松（两次降息和可能的二套房贷优惠）、更为有利的行业政策（住房公积金首套贷款额度提升）和即将复苏的基本面，房地产市场前景将逐步改善，而这将促使公司重组类不良资产经营业务的收益率和资产质量得以提升，资本市场估值也将实现重估。

重申买入。我们维持公司 2015/16/17 年净利润预测为 158/199/241 亿元，对应同比增速 33%/26%/21%。目前公司股价对应于 1 倍的 2015 年 PB，位于历史平均估值一倍标准差下方。我们维持传统类不良资产板块 1.4 倍 2015 年目标 PB、重组类不良资产板块 5.5 倍 2015 年目标 PE 和金融投资及服务板块 1.2 倍 2015 年目标 PB。我们维持十二个月目标价 5.12 港币，对应 39%的上行空间。市场对公司资产处置收益率下滑的担忧或将其短期股价承压，但我们认为公司能够成功以量补价实现较快的盈利增长，而流动性和地产市场前景改善也将促使其实现价值重估，建议投资者逢低吸纳。

Investment highlights :

Results in line. China Cinda released annual results last Friday. Total revenue reached Rmb59.8bn, representing 41% YoY growth. Net profit arrived at Rmb11.9bn and basic EPS reached Rmb0.33, representing 32% YoY growth, which is in line with our expectation. In terms of total revenue by end-2014, distressed asset management accounted for 53%, followed by financial investment & asset management (20%) and financial services (27%). During the same period, profit before tax of these three segments accounted for 70%, 21% and 9% of the total.

Volume growth offset margin erosion. Amid explosive non-performing loans growth, Cinda's newly acquired traditional and restructuring distressed assets grew by 150% and 55%, as deteriorating economic conditions offer more opportunities to acquire discounted distressed assets with stronger pricing power. However, its yield on traditional and restructuring distressed assets disposal declined from 19.3% and 13.5% to 18.6% and 12.2%, as its return on distressed assets disposal declines after asset prices deflate. The impaired ratio of restructuring assets rose from 1.03% to 1.24%, while coverage ratio declined from 291% to 267%. Given its leverage ratio is still kept at comfortable level of 5.3x as compared to regulatory requirement of 8x, we believe Cinda could still benefit from a soft landing scenario, as distressed assets supply will continue to increase while credit costs could be manageable.

Positive on property. Within Cinda's restructured distressed assets portfolio, real estate assets accounted for 60% in 2014, so the company's asset quality and disposal returns are indeed highly sensitive to changes in property market. Given favourable monetary policy, supportive industry policies and possible fundamental recovery, we believe the sector's rising outlook will translate to improving asset quality and disposal returns for Cinda.

Maintain BUY. We maintain our earnings forecast of Rmb16bn in 15E (+33% YoY), Rmb20bn in 16E (+26% YoY) and Rmb24bn in 17E (21% YoY). The company is currently trading at just 1.0x 15E PB, less than one standard deviation below its historical average. We maintain our target valuation for its traditional distressed debt business at 1.4x 15E PB, restructured distressed debt business at 5.5x 15E PE, financial service and investment business at 1.2x 15E PB. We maintain our target price at HK\$5.12. With 39% upside, we maintain our BUY rating. The share price may be under pressure due to market concern over its margin erosion, but we believe with distressed assets rising and liquidity outlook improving, Cinda's earnings will enhance and valuation should recover. So we recommend investors to buy on dip.

APPENDIX

Fig 1: Forecast Income Statement

RMB Mn	2010	2011	2012	2013	2014	2015E	2016E	2017E
Income from distressed debt assets classified as receivables	-	181	3,518	10,144	16,226	19,984	22,494	26,993
Fair value changes on distressed debt assets	5,851	4,463	3,878	4,618	6,319	9,941	18,266	24,862
Fair value changes on other financial assets	426	41	399	539	400	600	698	699
Investment income	4,835	5,779	6,529	7,044	6,188	5,392	5,419	5,447
Net Insurance premiums earned	4,584	5,698	5,325	5,772	5,772	5,772	5,772	5,772
Interest income	849	1,479	2,493	5,059	5,700	6,420	7,284	8,322
Revenue from sales of inventories	4,148	3,237	3,924	4,322	4,322	4,322	4,322	4,322
Commission and fee income	2,083	1,902	2,226	2,520	2,671	2,832	3,001	3,182
Net gains on disposal of subsidiaries and associates	12	174	2,585	201				
Other income and other net gains or losses	1,473	1,427	1,456	2,195	2,195	2,195	2,195	2,195
Total Income	24,260	24,382	32,335	42,413	59,790	57,458	69,452	81,793
Interest expense	(1,366)	(1,807)	(3,698)	(7,804)	(10,360)	(10,925)	(11,528)	(12,033)
Insurance costs	(4,434)	(5,337)	(4,690)	(5,019)	(5,019)	(5,019)	(5,019)	(5,019)
Employee benefits	(2,367)	(2,672)	(3,418)	(3,797)	(4,458)	(5,144)	(6,218)	(7,323)
Purchases and changes in inventories	(2,655)	(1,844)	(2,392)	(2,720)	(2,720)	(2,720)	(2,720)	(2,720)
Commission and fee expense	(697)	(803)	(901)	(869)	(922)	(977)	(1,036)	(1,098)
Business tax and surcharges	(504)	(562)	(786)	(1,234)	(1,315)	(1,503)	(1,629)	(1,854)
Depreciation and amortization expenses	(500)	(429)	(449)	(444)	(444)	(444)	(444)	(444)
Other expenses	(1,784)	(2,035)	(2,267)	(2,560)	(2,560)	(2,560)	(2,560)	(2,560)
Impairment losses on assets	(496)	(536)	(4,601)	(6,153)	(6,204)	(10,547)	(8,835)	(5,042)
Total expense	(14,803)	(16,027)	(23,200)	(30,601)	(34,003)	(39,840)	(39,988)	(38,093)
Change in net assets attributable to other holders of consolidated structured entities	(6)	50	(152)	(540)				
Profit before share of results of associates and tax	9,452	8,405	8,984	11,272				
Share of results of associates	505	653	612	500	500	500	500	500
Profit before tax	9,956	9,058	9,596	11,772	15,791	17,617	29,464	43,700
Income tax expense	(2,454)	(2,272)	(2,379)	(2,671)	(3,948)	(4,404)	(7,366)	(10,925)
Profit for the year/period	7,503	6,786	7,217	9,101	11,843	13,213	22,098	32,775
Profit attributable to:	-	-	-	-				
Net Profit attributable to shareholders	7,399	6,763	7,306	9,027	11,896	13,213	22,098	32,775

Source : Company data, SWS Research

Fig 2: Balance sheet forecast

RMB Mn	2010	2011	2012	2013	2014	2015E	2016E	2017E
Assets								
Cash and bank balances	33,773	27,187	42,726	57,059	68,471	78,742	86,616	95,277
Clearing settlement funds	1,415	1,286	1,526	1,708	1,708	1,708	1,708	1,708
Deposits with exchanges and a financial institution	877	779	907	831	900	900	900	900
Placements with banks	0	0	2,000	290	500	500	500	500
Financial assets at fair value through profit or loss	10,102	13,402	16,923	25,178	62,887	66,298	53,467	28,270
Financial assets held under resale agreements	369	561	57	1,054	500	500	500	501
Available-for-sale financial assets	62,156	64,382	64,377	72,747	72,747	72,747	72,747	72,747
Financial assets classified as receivables	0	12,150	51,195	116,663	166,113	192,183	230,608	276,730
Loans and advances to customers	2,508	9,448	25,042	48,636	58,364	67,118	73,830	81,213
Accounts receivable	6,418	4,063	5,257	6,449	6,449	6,449	6,449	6,449
Held-to-maturity investments	3,776	6,262	7,343	7,592	7,592	7,592	7,592	7,592
Properties held for sale	11,537	13,092	13,815	17,790	(13,476)	30,126	100,476	196,143
Investment properties	2,364	2,339	2,100	1,858	1,858	1,858	1,858	1,858
Interests in associates	5,971	6,713	7,476	8,962	8,962	8,962	8,962	8,962
Property and equipment	3,734	3,732	3,467	3,620	3,620	3,620	3,620	3,620
Goodwill	368	362	362	324	324	324	324	324
Other intangible assets	91	103	137	160	160	160	160	160
Deferred tax assets	334	1,400	2,623	3,937	3,937	3,937	3,937	3,937
Other assets	4,907	5,864	7,281	8,928	8,928	8,928	8,928	8,928
Total assets	150,701	173,124	254,614	383,785	460,542	552,651	663,181	795,817
				37%				
Liabilities								
Borrowings from central bank	16,465	11,311	7,053	4,913	3,000	2,500	2000	2001
Accounts payable to brokerage clients	13,677	8,150	6,630	6,481	6,481	6,481	6,481	6,481
Financial liabilities at fair value through profit or loss	0	1	53	48	50	50	50	50
Financial assets sold under repurchase agreements	880	6,921	11,994	9,443	10,000	10,000	10,000	10,000
Placements from a bank and a financial institution	0	0	0	10,477	20,000	20,000	20,000	20,000
Borrowings	7,826	25,179	76,099	173,835	182,526	200,779	210,818	221,359
Accounts payable	47,220	47,995	39,539	22,814	20,000	10,000	10,000	10,001
Investment contract liabilities for policyholders	2,697	3,618	3,213	3,244	3,244	3,244	3,244	3,244
Tax payable	2,860	3,325	2,132	2,061	2,061	2,061	2,061	2,061
Insurance contract liabilities	7,633	12,301	17,586	20,722	20,722	20,722	20,722	20,722
Bonds issued	0	495	12,535	13,285	13,285	13,285	13,285	13,285
Deferred tax liabilities	678	349	357	451	451	451	451	451
Other liabilities	8,264	10,638	16,539	33,249	81,041	150,188	234,237	336,677
Total liabilities	108,200	130,281	193,730	301,023	362,861	439,761	533,349	646,332
Equity								
Share capital	25,155	25,155	30,140	35,459	36,257	36,257	36,257	36,257
Capital reserve	1,229	1,192	6,521	15,904	20,000	20,000	20,000	20,000
Investment revaluation reserve	3,402	(739)	406	731	700	700	700	700

Surplus reserve	620	1,222	1,760	2,483	2,500	2,500	2,500	2,500
General reserve	0	502	912	2,968	3,600	5,200	6200	6200
Retained earnings	6,928	10,875	15,427	18,875	27,757	37,667	54,240	78,821
Foreign currency translation reserve	(309)	(395)	(392)	(420)	(133)	3,566	2,935	(1,992)
Equity attributable to equity holders of the Company	37,025	37,813	54,774	75,998	90,681	105,890	122,833	142,486
Non-controlling interests	5,476	5,030	6,111	6,764	19%	17%	16%	16%
Total equity	42,502	42,843	60,885	82,762	97,681	112,890	129,833	149,486
Total equity and liabilities	150,701	173,124	254,614	383,785	460,542	552,651	663,181	795,817

Source : Company data, SWS Research

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