

天虹纺织 [2678.HK]

踏进下一阶段

自2017年10月以来，港股市场的纺织及服装股的平均表现跑输大盘。我们认为其表现较差的原因在于：a) 行业消息不多；b) 市场关注增长前景。我们认为，纺织服装企业以地域多元化和纵向一体化争取份额是为市场接受的两个方式。我们也认为，鉴于2017年下半年的经营环境差于预期，天虹纺织2017年业绩对某些投资者而言可能较为平淡，但2017年是天虹管理层为未来增长奠定基础的一年。天虹纺织的下游扩张进度符合预期，管理层将专注于优化服务业务以推动收入增长并提升盈利能力。天虹已经建立了完全垂直整合的牛仔服装业务，并在区内成为最大的牛仔服装制造商之一。下游扩张是公司长远增长动力之一。尽管市场关注利润率走势，但鉴于管理层专注于独特产品和采取下游多元化策略，我们不预期天虹的净利润将出现大幅波动。我们认为，市场已重设对天虹的预期，而近期进口纱线和美国棉花的价格回升意味着下游需求回稳。天虹的2017年市盈率为7.5倍，2018年市盈率为6.3倍，我们认为这估值不会过高。鉴于公司业务稳健，我们维持对公司的买入评级，目标价为13.02港元（基于9倍2017年市盈率，低于其历史平均水平及香港上市同业平均）。

投资亮点

- 经营环境稳定。**在年初至今，中国现货棉花价格持稳于15,698元人民币/吨，现货棉纱价格则在年初至今下跌0.6%至14,400元人民币/吨。棉纺和棉纱价格走势并没有为天虹带来上行的惊喜，但我们认为市场已计及了市场环境比预期为平淡的因素，2017年已成为天虹管理层整固业务并为奠定未来增长的一年。我们认为，行业环境趋稳意味着管理层在2018年可专注于优化产品和提高效率。我们认为，市场已重置对天虹2017年业绩的预期，而即将公布的2017年业绩可被视为市场重新评估天虹的基本参考。进口纱线和美国棉花的价格近期回升，我们认为下游需求持续上升，因此天虹应在2018年有好的开始。根据目前的趋势，天虹等区内的纱线生产商可能会提高平均售价，这将消除市场对天虹前景的担忧。
- 下游扩张进度处于正轨。**天虹于2017年3月收购了年兴纺织旗下位于越南、柬埔寨及尼加拉瓜的工厂。天虹已建立完整垂直整合的牛仔服装业务，假设使用率为百分之一百，年产能约为2,000至2,500条牛仔裤。由于天虹与Toray和Haulida Garment有合作关系，公司已获得日本一领先休闲服品牌的试用订单，而出货进展良好。我们相信试订单进展顺利，而天虹将在2018年从休闲服公司取得更多订单，这将对其牛仔服装业务产生正面影响，并可证明天虹的服装生产能力。服装业务仍然拖累公司2017年的整体业绩。但由于基础工作在2017年完成，我们相信下游业务将于2018年扭亏为盈。预计服装生产商的毛利率将在未来几年逐步提升至17%至18%。我们认为，纺织服装企业以地域多元化和纵向一体化争取份额是为市场接受的两个方式。我们相信天虹管理层采取下游扩张和收购是正确的策略以捕捉市场增长潜力。
- 营运资金压力较小。**与同业相比，天虹正在从资本密集型营运模式（上游）转向较不资本密集型的模式（下游），这将减少未来扩张对资产负债表构成的压力。我们预计天虹将维持其派息比率，2017年及2018年的预期收益率均超过4%。

主要财务指标 (百万人民币)	2014	2015	2016	2017E	2018E
收入	10,470.3	10,574.9	13,647.7	16,008.2	18,451.2
变动 (同比%)	27.2	1.0	29.1	17.3	15.3
毛利润	1,294.2	1,905.8	2,645.1	2,558.9	3,127.0
毛利率 (%)	12.4	18.0	19.4	16.0	16.9
净利润	306.7	590.8	1,187.5	1,153.9	1,380.2
净利润率 (%)	2.9	5.6	8.7	7.2	7.5
每股收益 (基本)	0.35	0.67	1.33	1.26	1.51
变动 (同比%)	(64.39)	92.63	94.35	(2.84)	19.61
每股股息	\$0.103	\$0.199	\$0.391	\$0.228	\$0.450
净资产收益率 (%)	9.0	16.0	26.0	20.6	21.2
股息收益率 (%)	1.11	2.14	4.31	4.10	4.91
市盈率 (倍)	26.8	13.9	7.2	7.5	6.3
市净率 (倍)	2.4	2.1	1.7	1.5	1.3
自由现金流收益率 (%)	5.65%	8.80%	-16.40%	25.03%	11.69%
资本开支 (百万元)	(606.7)	(1,106.4)	(1,771.0)	(671.0)	(632.3)
每股自由现金流	0.6	1.1	(0.8)	1.9	1.1
净负债比率 (%)	67	57	80	40	24

来源: 公司, 中国银河国际证券研究部估计

中国纺织业 -

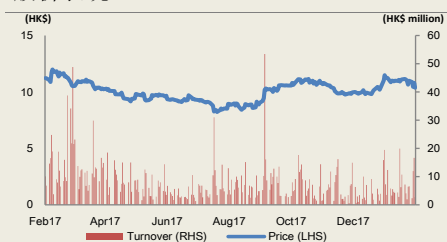
上游

买入

收盘价: 10.38港元 (2018年2月8日)

目标价: 13.02港元 (+23.0%)

股价表现



来源: 彭博, 中国银河国际证券研究部

市值	12.15亿美元
已发行股数	9.15亿股
核数师	PricewaterhouseCoopers
自由流通量	26.3%
52周交易区间	8.24-12.0港元
三个月日均成交量	80万港元
主要股东	洪天祝 (62.2%)

来源: 彭博, 中国银河国际证券研究部

布家杰, CFA — 高级分析师

(852) 3698-6318

markpo@chinastock.com.hk

王志文 — 研究部主管

(852) 3698-6317

cmwong@chinastock.com.hk

Texhong Textile Group [2678.HK]

Reaching the next level

On average, shares of HK-listed Companies in the textile and garment supply chain have underperformed the market since Oct 2017. We believe their underperformance is due to: a) limited industry news flow, and b) concern about the growth outlook. We maintain the view that geographic diversification and vertical integration are the two directions accepted by the market for textile and garment companies to gain market share going forward. We also share the view that Texhong Textile's (Texhong) 2017 results may not look exciting to some investors, given a softer-than-expected operating environment in 2H 2017, but that 2017 was a year for Texhong management to build a foundation for future growth. Texhong's downstream expansion is in line with expectations, and management will focus on optimizing garment operations to drive top-line growth and achieve higher profitability. Texhong has been building a fully vertically integrated jeanswear operation into one of the largest jeanswear manufacturers in the region. Downstream expansion is one of the long-term growth drivers of the Company. Despite concern about the margin trend, we still don't expect to see major volatility in Texhong's net profit going forward, given management's strategy of concentrating on niche products and downstream diversification. We also maintain the view that expectations for Texhong have been reset, and the recent pick-up in import yarn and US cotton prices implies that downstream demand is resilient, in our view. Texhong is trading at 7.5x 2017 PER and 6.3x 2018 PER, which we don't think are excessive. Given its solid operations, we maintain our BUY rating on Texhong, with a target price of HK\$13.02 (based on 9x 2017E PER, lower than its historical average and the average of its HK-listed peers).

Investment Highlights

- Stable operating environment.** The spot cotton price in China is flat YTD at RMB15,698/tonne and the spot cotton yarn price is down 0.6% YTD to RMB14,400/tonne. The cotton and cotton yarn price movements haven't offered any upside surprise for Texhong, but we believe the market has factored in a softer-than-expected market environment, and 2017 became a year of consolidation for Texhong management to build a solid foundation for future growth. We maintain the view that a stable environment means that management can focus on product optimization and improving efficiency in 2018. We believe that expectations for Texhong's 2017 results were reset and that the upcoming 2017 results can be treated as a base case for the market to re-visit Texhong. Import yarn and US cotton prices picked up recently, which we believe implies that downstream demand is resilient, so Texhong should have a good start in 2018. Based on the current trend, local yarn makers such as Texhong are likely to raise the average selling prices, which should remove market concerns about the outlook for Texhong.
- Downstream expansion on track.** Texhong acquired Nien Hsin Textile's factories in Vietnam, Cambodia and Nicaragua in Mar 2017. Texhong has been building a fully vertically integrated denim jeanswear operation with annual production capacity of about 20-25m pairs of jeans, assuming 100% utilization. Thanks to its co-operation with Toray and Haulida Garment, Texhong secured trial orders from the leading casual wear brand, and delivery is on track. We believe that the trial orders are progressing smoothly and that Texhong will secure more business from the casual wear brand in 2018, which will have a positive impact on its jeanswear business and provide proof of capability of Texhong's garment manufacturing capability. The garment operations were still a drag on the Company's overall performance in 2017. But we believe the downstream operations will turn around in 2018, given the foundation work completed in 2017. The gross profit margin of garment manufacturers is expected to improve gradually to 17 to 18% in the coming years. We believe that geographic diversification and vertical integration are the two directions accepted by the market for textile and garment companies to gain market share going forward. We believe that Texhong management has adopted the right strategy through downstream expansion and acquisition to capture growth potential.
- Less pressure on working capital.** Compared with some of its peers, Texhong is moving from a capital intensive model (upstream) to a less capital intensive model (downstream), which should reduce pressure on its balance sheet regarding future expansion. We expect Texhong to maintain its pay-out ratio, which will translate into a prospective yield of over 4% in both 2017 and 2018.

Key Financials (in RMB m)	2014	2015	2016	2017E	2018E
Revenue	10,470.3	10,574.9	13,647.7	16,008.2	18,451.2
Change (yoy %)	27.2	1.0	29.1	17.3	15.3
Gross Profit	1,294.2	1,905.8	2,645.1	2,558.9	3,127.0
Gross Margin %	12.4	18.0	19.4	16.0	16.9
Net Profit	306.7	590.8	1,187.5	1,153.9	1,380.2
Net Margin %	2.9	5.6	8.7	7.2	7.5
EPS (Basic)	0.35	0.67	1.33	1.26	1.51
Change (yoy %)	(64.39)	92.63	94.35	(2.84)	19.61
DPS	\$0.103	\$0.199	\$0.391	\$0.228	\$0.450
ROE (%)	9.0	16.0	26.0	20.6	21.2
Dividend Yield (%)	1.1	2.14	4.31	4.10	4.91
PER (x)	26.8	13.9	7.2	7.5	6.3
PBR (x)	2.4	2.1	1.7	1.5	1.3
FCF Yield (%)	5.65%	8.80%	-16.40%	25.03%	11.69%
Capex (m)	(606.7)	(1,106.4)	(1,771.0)	(671.0)	(632.3)
Free cash flow per share	0.6	1.1	(0.8)	1.9	1.1
Net Gearing (%)	67	57	80	40	24

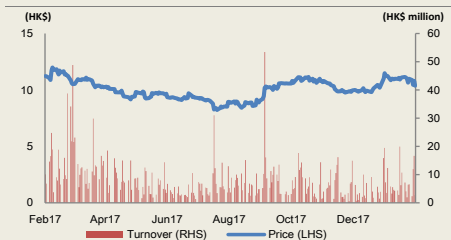
Sources: Company, CGIS Research estimates

China Textile Sector - Upstream BUY

Close: HK\$10.38 (Feb 8 2018)

Target Price: HK\$13.02 (+23.0%)

Share Price Performance



Sources: Bloomberg, CGIS Research

Market Cap	US\$1,215m
Shares Outstanding	915m
Auditor	Pricewaterhouse-Coopers
Free Float	26.3%
52W range	HK\$8.24-12.0
3M average daily T/O	US\$0.8m
Major Shareholder	Mr Hong Tianzhu (62.2%)

Sources: Bloomberg, CGIS Research

Mark Po, CFA — Senior Analyst

(852) 3698-6318

markpo@chinastock.com.hk

Wong Chi Man, CFA — Head of Research

(852) 3698-6317

cmwong@chinastock.com.hk

Figure 1: Key Assumptions for Texhong

	2011	2012	2013	2014	2015	2016	2017F	2018F
Turnover (RMB m)								
Stretchable Core-Spun Yarns	3,693.2	4,390.6	4,938.0	5,342.0	5,407.2	6,949.6	7,651.4	8,640.1
Other Yarns	2,096.5	1,756.2	2,273.9	4,281.0	4,428.2	5,675.5	6,577.4	7,251.6
Fabrics	1,083.0	1,194.6	1,016.7	847.3	724.4	874.6	1,113.2	1,227.3
Garment	0	0	0	0	15.1	148.0	666.1	1,332.3
Total	6,872.7	7,341.5	8,228.5	10,470.3	10,574.9	13,647.7	16,008.2	18,451.2
YoY Change (%)								
Stretchable Core-Spun Yarns		18.9	12.5	8.2	1.2	28.5	10.1	12.9
Other Yarns		(16.2)	29.5	88.3	3.4	28.2	15.9	10.3
Fabrics		10.3	(14.9)	(16.7)	(14.5)	20.7	27.3	10.3
Garment						880.7	350.0	100.0
Total		6.8	12.1	27.2	1.0	29.1	17.3	15.3
Gross margin (%)								
Stretchable Core-Spun Yarns	8.1	15.3	19.2	12.4	18.0	19.4	16.0	16.9
Other Yarns	8.8	17.7	22.4	14.4	19.5	22.2	17.1	18.5
Fabrics	7.4	13.4	16.9	10.5	17.1	17.4	15.5	17.1
Garment	6.8	9.4	8.8	8.7	28.2	25.2	20.5	12.5
Net margin (%)	0	0	0	0	0	0	0	10.0
Net margin (%)	0.9	6.6	13.7	2.9	5.6	8.7	7.2	7.5
Cost (RMB m)								
Cost of Sales	(6,317)	(6,217)	(6,645)	(9,176)	(8,669)	(11,003)	(13,449)	(15,324)
S,G&A	(360.6)	(430.2)	(542.5)	(679.8)	(749.9)	(1,043.4)	(1,184.6)	(1,365.4)
Financial Expenses	(85.7)	(137.9)	(128.8)	(253.8)	(431.5)	(413.2)	(305.5)	(305.5)
YoY Change (%)								
Cost of Sales		(1.6)	6.9	38.1	(5.5)	26.9	22.2	13.9
R&D		19.3	26.1	25.3	10.3	39.1	13.5	15.3
Financial Expenses		61.0	(6.6)	97.1	70.0	(4.3)	(26.1)	0
CAPEX (HKD m)								
Net Gearing (%)	421.0	544.0	935.8	606.7	935.3	1,600.0	500.0	461.3
Net Gearing (%)	65.7	47.6	61.5	67.5	56.9	79.9	39.8	23.7
Shipment (000 tonnes)								
Stretchable Core-Spun Yarns	114,502	165,845	186,156	222,947	239,542	305,819	338,487	364,126
Other Yarns	75,322	77,035	97,943	208,646	237,389	293,571	340,400	357,420
Fabrics	85	99	93	81	69	81	95	100
Shipment YoY Change (%)								
Stretchable Core-Spun Yarns		45	12	20	7	28	11	8
Other Yarns		2	27	113	14	24	16	5
Fabrics		17	(6)	(13)	(15)	17	18	5
ASP (RMB)								
Stretchable Core-Spun Yarns	32,254.7	26,474.2	26,526.0	23,960.6	22,573.0	22,724.5	22,604.8	23,728.2
Other Yarns	27,833.5	22,797.9	23,216.1	20,518.1	18,653.9	19,332.6	19,322.6	20,288.7
Fabrics	12.7	12.0	10.9	10.5	10.5	10.8	11.7	12.3
ASP YoY Change (%)								
Stretchable Core-Spun Yarns		(17.9)	0.2	(9.7)	(5.8)	0.7	(0.5)	5.0
Other Yarns		(18.1)	1.8	(11.6)	(9.1)	3.6	(0.1)	5.0
Fabrics		(5.5)	(9.6)	(3.9)	0.4	3.2	8.2	5.0

Sources: Company, CGIS Research

免责声明

此研究报告并非针对或意图被居于或位于某些司法管辖范围之任何人士或市民或实体作派发或使用，而在该等司法管辖范围内分发、发布、提供或使用将会违反当地适用的法律或条例或会导致中国银河国际证券(香港)有限公司(“银河国际证券”)及/或其集团成员需在该司法管辖范围内作出注册或领照之要求。

银河国际证券(中国银河国际金融控股有限公司附属公司之一)发行此报告(包括任何附载资料)予机构客户，并相信其资料来源都是可靠的，但不会对其准确性、正确性或完整性作出(明示或默示)陈述或保证。

此报告不应被视为是一种报价、邀请或邀约购入或出售任何文中引述之证券。过往的表现不应被视为对未来的表现的一种指示或保证，及没有陈述或保证，明示或默示，是为针对未来的表现而作出的。收取此报告之人士应明白及了解其投资目的及相关风险，投资前应咨询其独立的财务顾问。

报告中任何部份之资料、意见、预测只反映负责预备本报告的分析员的个人意见及观点，该观点及意见未必与中国银河国际金融控股有限公司及其附属公司(“中国银河国际”)、董事、行政人员、代理及雇员(“相关人士”)之投资决定相符。

报告中全部的意见和预测均为分析员在报告发表时的判断，日后如有改变，恕不另行通告。中国银河国际及/或相关伙伴特此声明不会就因为本报告及其附件之不准确、不正确及不完整或遗漏负上直接或间接上所产生的任何责任。因此，读者在阅读本报告时，应连同此声明一并考虑，并必须小心留意此声明内容。

利益披露

中国银河证券(6881.HK; 601881.CH)乃中国银河国际及其附属公司之直接或间接控股公司。

中国银河国际可能持有目标公司的财务权益，而本报告所评论的是涉及该目标公司的证券，且该等权益的合计总额相等于或高于该目标公司的市场资本值的1%;

一位或多位中国银河国际的董事、行政人员及/或雇员可能是目标公司的董事或高级人员。

中国银河国际及其相关伙伴可能，在法律许可的情况下，不时参与或投资在本报告里提及的证券的金融交易，为该等公司履行服务或兜揽生意及/或对该等证券或期权或其他相关的投资持有重大的利益或影响交易。

中国银河国际可能曾任本报告提及的任何或全部的机构所公开发售证券的经理人或联席经理人，或现正涉及其发行的主要庄家活动，或在过去12个月内，曾向本报告提及的证券发行人提供有关的投资或一种相关的投资或投资银行服务的重要意见或投资服务。

再者，中国银河国际可能在过去12个月内就投资银行服务收取补偿或受委托和可能现正寻求目标公司投资银行委托。

分析员保证

主要负责撰写本报告的分析员确认 (a) 本报告所表达的意见都准确地反映他或他们对任何和全部目标证券或发行人的个人观点; 及 (b) 他或他们过往，现在或将来，直接或间接，所收取之报酬没有任何部份是与他或他们在本报告所表达之特别推荐或观点有关连的。

此外，分析员确认分析员本人及其有联系者(根据香港证监会持牌人操守准则定义)均没有(1) 在研究报告发出前30 日内曾交易报告内所述的股票; (2) 在研究报告发出后3个营业日内交易报告内所述的股票; (3)担任报告内涵盖的上市公司的行政人员; (4)持有报告内涵盖的上市公司的财务权益。

评级指标

买入 : 股价于12个月内将上升 >20%

沽出 : 股价于12个月内将下跌 >20%

持有 : 没有催化因素，由“买入” 降级直至出现明确“买入” 讯息或再度降级为立刻卖出

版权所有

中文本与英文本如有歧义，概以英文本为准。

本题材的任何部份不可在未经中国银河国际证券(香港)有限公司的书面批准下以任何形式被复制或发布。

中国银河国际证券(香港)有限公司 (中央编号: AXM459)

香港上环干诺道中111号永安中心20楼 电话: 3698-6888