

Logistics	Last Close	Target Price	Upside	26 April 2018
	HK\$4.33	HK\$5.12	+18.2%	

Sinotrans Limited (598 HK)

1Q18 operating volume growth intact

⊕ **Operating volume growth remained solid in 1Q18:** Sinotrans reported across-the-board volume growth in freight forwarding business in 1Q18, thanks to steady growth of trade performance in China. Sea freight forwarding and shipping agency volumes trended up by 13.6% YoY and 12.5% YoY, respectively. On the other hand, logistics volume increased by 22.3% YoY, mainly due to its continuous expansion in the Belt and Road region, in our view. The new business segment from China Merchants Logistics, namely logistics equipment leasing, also witnessed operating volume growth in pallet leasing and container leasing, up 15.2% YoY and 6.5% YoY, respectively. Express service volume maintained its uptrend, surging by 220.7% YoY in 1Q18. However, warehouse operating volume and terminal throughput declined during the period.

⊕ **Net profit growth of SinoAir slowed to 6.5% YoY in 1Q18:** SinoAir, an A-share listed subsidiary of Sinotrans, announced its 1Q18 net profit at RMB203.1m, representing a slow growth of 6.5% YoY (vs 30.7% YoY and 36.0% YoY in 1Q17 and FY17, respectively). Revenue of SinoAir rose 21.6% YoY, compared with an increase of 28.5% YoY in 1Q17. Operating margin fell to 13.7% in 1Q18 from 15.7% in 1Q17, mainly due to soaring asset impairment loss. Investment income growth moderated to 9.6% YoY in 1Q18 as a result of slow growth of earnings contribution from DHL-Sinotrans JV, partly due to high base in our view.

⊕ **We maintain our Buy recommendation:** We expect steady volume growth from freight forwarding and logistics segments to buttress overall revenue growth in 1H18. We fine-tune our FY18-19E earnings forecasts and introduce FY20 forecast. We maintain **Buy** recommendation and TP of HK\$5.12 at the moment.

Financial highlights

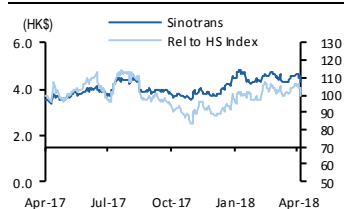
Y/E 31 Dec	2016RS	2017	2018E	2019E	2020E
Revenue (RMB m)	59,766	72,567	75,226	77,455	80,212
YoY growth (%)	31.3	21.4	3.7	3.0	3.6
Net profit (RMB m)	2,254	2,304.2	2,488	2,624	2,794
EPS (RMB)	0.373	0.381	0.411	0.434	0.462
YoY growth (%)	14.9	0.0	8.0	5.5	6.5
Previous EPS (RMB)			0.404	0.422	
Change (%)			1.7	2.8	
P/E (x)	10.1	9.3	8.4	8.0	7.5
BVPS (RMB)	3.187	3.499	3.813	4.124	4.455
P/B (x)	1.18	1.02	0.91	0.84	0.78
Dividend yield (%)	2.9	3.4	3.6	3.7	4.0

Source: Company data, BOCOM Int'l estimates

Stock Rating

BUY

1-year stock performance



Source: Bloomberg

Stock data

52w high (HK\$)	4.96
52w low (HK\$)	3.37
Market cap (HK\$ m)	27,039.77
Avg daily vol (m)	13.77
YTD change (%)	16.7
200d MA (HK\$)	4.15

Source: Bloomberg

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Rating System

Analyst Stock Ratings:

Buy: The stock's total return is expected to **exceed** that of the corresponding industry over the next 12 months.

Neutral: The stock's total return is expected to be **in line with** that of the corresponding industry over the next 12 months.

Sell: The stock's total return is expected to be **below** that of the corresponding industry over the next 12 months.

Not-Rated: The analyst **does not have conviction** regarding the outlook of the stock's total return relative to that of the corresponding industry over the next 12 months.

Analyst Industry Views:

Outperform: The analyst expects the industry coverage universe to be **attractive** relative to the relevant broad market benchmark over the next 12 months.

Market perform: The analyst expects the industry coverage universe to be **in line with** the relevant broad market benchmark over the next 12 months.

Underperform: The analyst expects the industry coverage universe to be **unattractive** relative to the relevant broad market benchmark over the next 12 months.

Broad market benchmark for Hong Kong is **the Hang Seng Composite Index**, for China A-shares is the **MSCI China A Index**, for US-listed Chinese companies is **S&P US Listed China 50 (USD) Index**.

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