

公司动态

西王特钢 [1266.HK; 1.65港元; 未评级] -

增长势头在三季度持续; 估值较主要同业存在折让

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摘要: 西王特钢继上半年净利润同比大增84%后, 公司看到7月和8月的吨毛利势头仍然强劲, 而我们对这并不意外, 因我们看到螺纹钢价格持续上涨(18年下半年以来上涨12%), 且铁矿石和焦煤成本相对稳定。我们预计, 政府的限产措施和较低的螺纹钢库存将继续为螺纹钢价格提供支撑, 这将导致第四季吨毛利率温和扩张。公司上半年净利润占市场共识对全年预测的47%, 我们认为公司有望达到共识预测, 因下半年一般为钢铁业旺季。公司的2018年预测市盈率为2.8倍, 较马钢/鞍钢折让36%/58%, 考虑到公司的盈利前景和财务状况改善, 我们认为上述估值折让有望收窄。

吨毛利保持增长势头。 18年上半年, 吨毛利同比强劲增长45%至人民币726元。公司指出, 7月和8月的吨毛利更高。这符合我们的观察所得:

1) 螺纹钢价格自7月以来上涨了12%; 2) 成本相对稳定, 进口铁矿石(62%品位)到岸价自7月以来上涨了6%, 而中国主要地区的平均焦煤价格自7月以来上涨了2%。展望第四季, 我们认为螺纹钢价格仍将受到支撑, 因螺纹钢库存仍处于401万吨的相对较低水平, 较去年同期低9%。

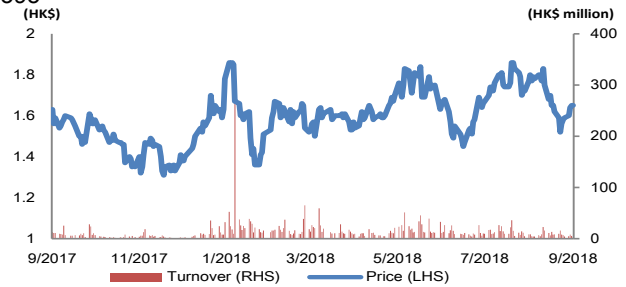
除了吨毛利上升外, 上半年现金周期改善亦是正面因素, 应收账款天数从2017年上半年的5.16天下降至2018年上半年的2.81天, 而库存周转天数亦从2017年上半年的32.91天下降至2018年上半年的29.03天, 反映公司在订单强劲的同时改善了应收账款的管理。

山东的基础设施项目支持增长。 公司仍看到山东的基础设施项目(如济青高铁)将带来一定的钢材需求, 预料将支持公司未来一年的订单流量。至于较长远的发展, 公司正在与中科院合作开钢轨项目, 作为其扩大特钢业务计划的一部分。该项目的第一阶段(300,000吨钢轨和150,000吨铁路轴坯)预计将于2019年中竣工, 第二阶段(400,000吨钢轨和150,000吨型钢)将在2020年完成。由于新钢轨产品有较高的强度、韧性和耐久度, 预计平均售价将达到人民币6,000元/吨, 高于现有特钢产品(人民币3,880元/吨)。

有关限产的影响。 在9月中旬, 由于有市场传言指国内或放宽钢铁限产, 导致钢铁板块出现调整。但是, 由于其后没有任何政策确认该消息, 钢铁股大幅反弹。自调整以来, 西王特钢股价已反弹8.6%。在我们与公司的讨论中, 管理层认为鉴于当前的行业环境, 限产获放宽的空间有限。

另一方面, 由于唐山市早前就减排攻坚行动限制一些钢铁企业高炉炼铁产能及烧结工序产能, 这再加上采暖季限制, 自7月中旬以来唐山的钢铁公司一直惹来关注。但由于西王特钢的主要生产厂位于山东, 因此预计该限产对西王没有影响。公司表示到目前为止, 未收到有关采暖季限产

西王特钢



市值: 4.77亿美元; 自由流通量: 33.4%

人民币 (截至12月底止年度)	2016	2017	2018E	2019E
收入 (百万元)	7,567	12,362	14,111	15,117
毛利润 (百万元)	1,068	2,025	2,378	2,623
毛利率 (%)	14	16	17	17
EBIT (百万元)	755	1,419	1,746	2,039
净利润 (百万元)	333	898	1,223	1,491
净利润率 (%)	4	7	9	10
每股盈利	0.17	0.44	0.51	0.61
ROE (%)	8.3	19.6	21.4	23.9
股息率 (%)	0.0	10.4	11.5	13.9
市盈率 (x)	8.7	3.2	2.8	2.4
市净率 (x)	0.7	0.6	0.5	0.4

来源: 彭博, 公司

的通知。

上半年业绩回顾: 西王特钢18年上半年净利润为人民币5.68亿元, 同比增长84%。增长强劲主要得益于吨毛利同比增长45%至人民币726元。上半年收入为人民币59.56亿元, 同比增长6.5%。

估值。公司上半年净利润占市场共识对全年预测的47%, 我们认为公司有望达到共识预测, 因下半年一般为钢铁业旺季。我们目前预测1) 18财年的吨毛利会录得15%至20%增长; 2) 2017财年销量为300万吨(同比跌3%)。公司的2018年预测市盈率为2.8倍, 较马钢/鞍钢折让36%/58%, 考虑到公司的盈利前景和财务状况改善, 我们认为上述估值折让有望收窄。公司的产量仅为鞍钢产量的15%左右, 这可能是估值折让幅度较大的原因之一。但我们认为, 以每年人民币10亿元的净利润计, 现时2.8倍市盈率的估值过于保守。

风险: 潜在的集资活动。

公司背景: 西王特钢是钢铁生产商, 2017年收入约有68%来自山东。公司同时生产普钢和特种钢。去年, 公司的钢铁产品销量为309万吨(对比鞍钢2017年销量为2,080万吨)。西王投资持有该公司66%股权。

COMPANY NOTE

XIWANG SPECIAL STEEL [1266.HK; HK\$1.65; NOT RATED] - Momentum Remains in Q3; Large Valuation Discount to Major Peers

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Summary. After delivering strong results for 1H18, with net profit growth of 84% YoY, Xiwang Special Steel continued to see positive momentum in its gross profit per tonne in July and August 2018, which make sense to us given higher rebar prices in China (up 12% in 2H18) and relatively stable iron ore and coking coal costs. We expect the production restriction measures by the government and the relatively low level of rebar inventory to continue to offer support for rebar prices, which should lead to mild expansion of gross profit per tonne in Q4. On consensus numbers, the net profit in 1H18 accounted for 47% of the full-year consensus estimate, so we believe the Company will meet consensus, given the positive seasonality in 2H for the steel industry. With a low valuation of 2.8x 2018E PER, which is a 36%/58% discount to Maanshan Iron & Steel/Angang Steel, we believe there is room to narrow the discount, given the Company's improved earnings outlook and financial strength.

Gross profit per tonne maintains momentum. It is impressive to see 45% YoY growth of gross profit per tonne, which came in at RMB726 in 1H18. The Company highlighted that the gross profit per tonne was even higher in July and August. This is in line with our observations, as 1) rebar prices have risen 12% since 2H18; and 2) costs have been relatively stable, with the CIF price of imported iron ore (62% grade) increasing c.6% in 2H18 and the average coking coal price in China's major areas increasing c.2% in 2H18. Looking into Q4, we still see support for rebar prices, as rebar inventory is still at a relatively low level of 4.01mt, which is c.9% lower on a YoY basis.

Apart from the higher gross profit per tonne, it is impressive to see an improving cash cycle in 1H18, with days receivable declining from 5.16 in 1H17 to 2.81 in 1H18, and inventory turnover decreasing from 32.91 days in 1H17 to 29.03 days in 1H18, suggesting improving receivables management amid strong order flow.

Infrastructure projects in Shandong expected to support growth. The Company still sees stable demand for steel for infrastructure projects in Shandong, like the Jiqing high-speed railway, which should support the Company's order flow in the coming year. For development in the longer term, the Company is developing rail steel projects with the Chinese Academy of Sciences, as a part of its plan to expand its special steel business. The first phase of the project (300,000 tonnes of steel rails and 150,000 tonnes of railway billets) is expected to be completed in mid-2019, and the second phase (400,000 tonnes of steel rails and 150,000 tonnes of figured steel) will be completed in 2020. The ASP of the rail steel products is expected to reach RMB6,000/t, which is higher than the existing special steel products (RMB3,880/t) because of the higher strength, tenacity and durability of the new rail steel products.

Manageable impact from production suspension. The steel sector saw some corrections in mid-Sep due to rumours about the potential relaxation of the production suspension. However, there has been no policy confirmation of this, so steel stocks have rebounded substantially. Xiwang Special Steel's share price has rebounded 8.6% since the correction. In our discussion with the Company, management maintained that there is limited room for relaxation of the production suspension, given the current industry environment.

However, there have been concerns about steel companies with steel mills



Market Cap: US\$477m; Free Float: 33.4%

RMB (Y/E Dec)	2016	2017	2018E	2019E
Revenue (m)	7,567	12,362	14,111	15,117
Gross profit (m)	1,068	2,025	2,378	2,623
Gross margin (%)	14	16	17	17
EBIT (m)	755	1,419	1,746	2,039
Net Profit (m)	333	898	1,223	1,491
Net Margin (%)	4	7	9	10
EPS	0.17	0.44	0.51	0.61
ROE (%)	8.3	19.6	21.4	23.9
Dividend yield (%)	0.0	10.4	11.5	13.9
PER (x)	8.7	3.2	2.8	2.4
PBR (x)	0.7	0.6	0.5	0.4

Source: Bloomberg, Company Data

in Tangshan since mid-July, given the strict local production restrictions for the winter heating season. But there should be no impact on Xiwang, as its major production plant is located in Shandong. The Company highlighted that it hasn't received any notification of a production suspension for the winter heating season so far.

Results recap for 1H18. Xiwang Special Steel reported net profit of RMB568.7m in 1H18, up 84% YoY. The strong growth was driven by 45% YoY growth in gross profit per tonne, which came in at RMB726 in 1H18. Revenue was RMB5,956m in 1H18, up 6.5% YoY.

Valuation. The net profit in 1H18 accounted for 47% of the full-year consensus estimate. We believe the Company will meet consensus given the positive seasonality in 2H for the steel industry. We are currently projecting 1) high-teen growth for gross profit per tonne in FY18E and 2) sales volume of 3m tonnes in FY18E (-3% YoY). With a low valuation of 2.8x 2018E PER, which is a 36%/58% discount to Maanshan Iron & Steel/Angang Steel, there is room to narrow the discount, given the Company's improved earnings outlook and financial strength. Its production volume is only about 15% of that of Angang, which may be one of the reasons for the deep valuation discount. But it is too conservative for it to trade at 2.8x PER, in our view, on the back of >RMB1bn net profit a year.

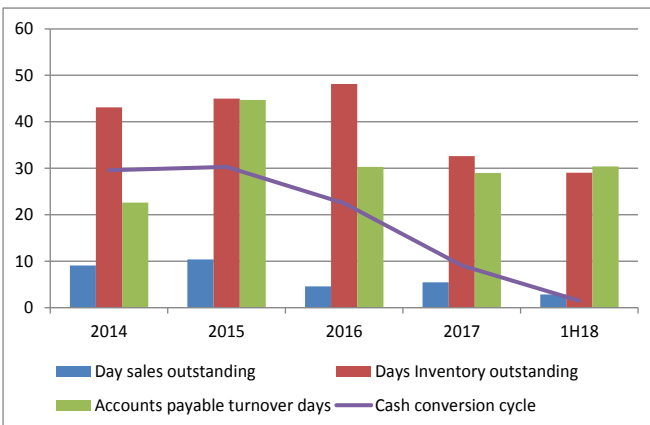
Risks: Potential fund-raising exercise.

Company background. Xiwang Special Steel is a steel producer, with about 68% of its sales in Shandong in 2017. It produces both ordinary steel and special steel. The Company sold 3.09m tonnes of steel products last year (for reference, Angang sold 20.8m tonnes in 2017). Xiwang Investment owns a 66% stake in the Company.

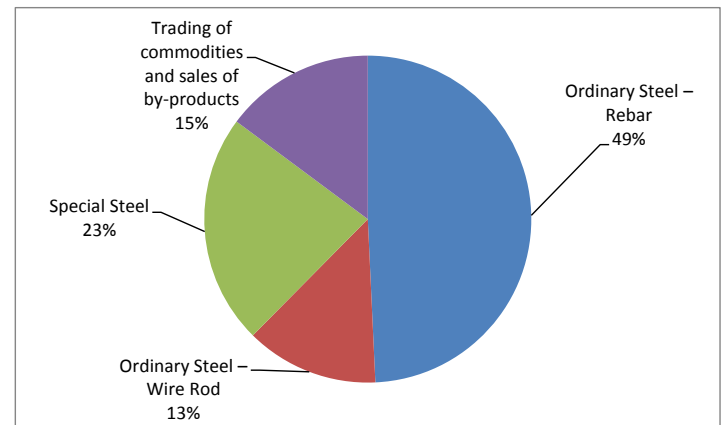
Figure 1: 1H18 results highlights

	1H17	1H18	YoY Change
Revenue	5,592,000	5,955,879	6.5%
Cost of sales	-4,841,741	-4,887,396	0.9%
Gross Profit	750,259	1,068,483	42.4%
Other income and gain	4,335	39,814	818.4%
Selling and distribution expenses	-43,375	-45,043	3.8%
Administrative expenses	-20,258	-47,789	135.9%
Other expenses	-6,948	-18,770	170.1%
Research and development costs	-117,041	-162,011	38.4%
Operating Profit	566,972	834,684	47.2%
Finance costs	-152,417	-167,658	10.0%
Profit before tax	414,555	667,026	60.9%
Income tax expense	-105,360	-98,373	-6.6%
Minority interest	0	0	-
Net Profit	309,195	568,653	83.9%

Sources: Company, CGIS Research

Figure 2: Cash conversion cycle


Sources: Company, CGIS Research

Figure 3: Sales mix by products (1H18)


Sources: Company, CGIS Research

Figure 4: Xiwang Special Steel's major clients


Sources: Company, CGIS Research

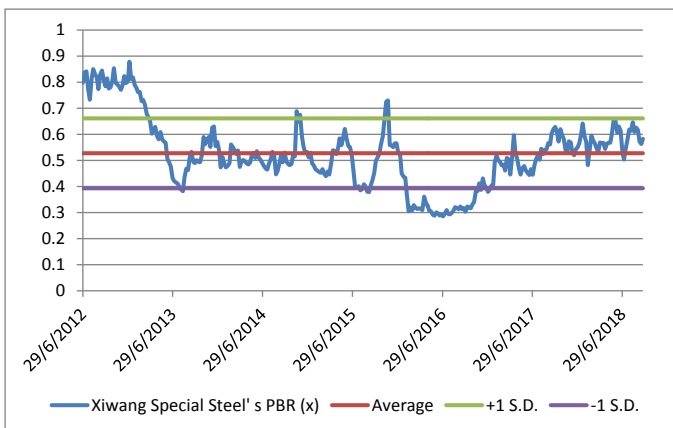
Figure 5: Steel rebar prices in China


Sources: Bloomberg, CGIS Research

Figure 6: Gross profit per tonne

	2015	2016	2017	1H18
ASP (RMB per tonne)				
Ordinary steel	1,891	2,066	3,211	3,367
Special steel	2,257	2,305	3,353	3,880
Gross profit per tonne	202	372	647	726

Sources: Company, CGIS Research

Figure 7: Xiwang Special Steel's PBR range


Sources: Bloomberg, CGIS Research

Figure 8: Peer comparison

Company	Ticker	Price (LC)	PER(x)			PBR(x)			Share Price Performances (%)		
			2017A	2018E	2019E	2017A	2018E	2019E	1M	3M	6M
Xiwang Special Steel Co Ltd	1266 HK EQUITY	1.65	3.2	2.8	2.4	0.6	0.5	0.4	-6.8	-0.6	7.8
Angang Steel Co Ltd	347 HK EQUITY	7.36	8.2	6.7	6.6	0.9	0.8	0.8	-4.8	-6.6	-6.8
Maanshan Iron & Steel Co Ltd	323 HK EQUITY	4.06	6.6	4.7	5.0	1.1	0.9	0.8	-0.5	4.6	11.2
China Oriental Group Co Ltd	581 HK EQUITY	6.3	3.9	4.0	4.1	1.2	1.2	1.0	0.2	3.3	13.7

Sources: Bloomberg, CGIS Research

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