

19 October 2018

BUY
Unchanged

季节性波动

SSY Group (02005:HK)

Market Data: 18 October 2018

Closing Price (HK\$)	6.29
Price Target (HK\$)	8.50
HSCEI	10,137
HSCCI	4,116
52-week High/Low (HK\$)	9.42/3.56
Market Cap (US\$m)	2,419
Market Cap (HK\$m)	18,958
Shares Outstanding (m)	3,014
Exchange Rate (Rmb-HK\$)	1.13

Price Performance Chart:



Source: Bloomberg

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Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Revenue (HK\$m)	2,361.25	3,076.37	4,273.79	5,219.56	5,915.12
YoY (%)	6.27	30.29	38.92	22.13	13.33
Net income (HK\$m)	489.54	664.72	920.46	1,195.52	1,431.68
YoY (%)	21.35	35.79	38.47	29.88	19.75
EPS (HK\$)	0.17	0.23	0.31	0.40	0.48
Diluted EPS (HK\$)	0.17	0.23	0.31	0.40	0.48
ROE (%)	19.31	21.61	24.26	26.41	26.33
Debt/asset (%)	43.42	40.94	33.15	27.57	22.32
Dividend Yield (%)	0.88	1.11	1.49	1.94	2.32
PE (x)	36.31	26.95	20.57	15.86	13.24
PB (x)	6.63	5.13	4.60	3.83	3.19
EV/Ebitda (x)	22.71	18.10	14.08	10.95	9.11

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

公司 2018 年前三季度收入为 31 亿港币，同比增长 46%，净利润为 6.47 亿港币，同比增长 42%，约占我们全年净利润预测的 70%。人民币口径下，我们预计今年前三季度收入同比增长 40%，净利润同比增长 36%。我们认为公司业绩的稳健增长主要由于大输液产品均价和销量的提升。

季节性波动。公司 18 年三季度收入同比增长 26%，低于 18 年一季度（同比增长 74%）和二季度（同比增长 43%）的增速。主要由于三季度通常为大输液消费的淡季，四季度和一季度通常为旺季。

综合毛利率提升。由于高毛利品种销售占比的提升，尤其是治疗性输液产品，2018 年前三季度公司整体毛利率提升 6.9 个百分点至 62.0%（17 年前三季度为 55.1%）。此外，今年前三季度公司大输液产品的整体收入达到 27 亿港币，同比增长 45%（17 年前三季度同比增长 28%）。其中非 PVC 软袋输液收入为 13 亿港币，同比增长 28%；直立软袋输液收入为 4.78 亿港币，同比增长 90%；塑瓶输液收入为 5.95 亿港币，同比增长 45%；玻璃瓶输液收入为 3.35 亿港币，同比增长 75%。非 PVC 软袋、直立软袋、塑瓶和玻璃瓶输液销售收入分别占公司整体大输液收入的 49%/17%/22%/12%。

产能扩张。目前，公司大输液产品的年产能能为 16 亿瓶/袋，并且计划 18 年新增手术室专用软袋输液产能 1 亿瓶/袋（预计 18 年四季度开始运行），19 年新增大容量软袋输液产能 0.5 亿瓶/袋。我们预计公司输液产品的销量将上升至 18 年的 14.5 亿瓶/袋，19 年的 15.6 亿瓶/袋，以及 20 年的 16.2 亿瓶/袋，分别同比增长 12%/8%/4%。

咖啡因业务。2017 年公司从天津中安药业收购咖啡因等七个原料药批文，将于天津新建 5000 吨咖啡因相关的原料药产能，预计于 19 年投入生产。我们预计咖啡因原料药产能利用率于 19 年达到 60%（3000 吨），20 年达到 80%（4000 吨）。

维持买入评级。我们维持 2018 年稀释每股盈利为 0.31 港币（同比增长 35%），将 19 年预测从 0.41 港币下调至 0.40 港币（同比增长 29%），将 2020 年预测从 0.49 港币下调至 0.48 港币（同比增长 20%）。我们将目标价从 10.20 港币下调至 8.5 港币（对应 28 倍 18 年市盈率，以及 21 倍 19 年市盈率）。目标价对应 35% 的上涨空间，维持买入评级。

Investment Highlight:

SSY Group announced 9M18 revenue of HK\$3.1bn (+46% YoY) and net profit of HK\$647m (+42% YoY; c.70% of our full-year forecast). Excluding the impact from foreign exchange, we estimate that 9M18 revenue grew 40% YoY and net profit increased 36% YoY. We attribute the solid growth mainly to the rising average selling price (ASP) and sales volume of intravenous (IV) infusion solutions. We maintain our 18E diluted EPS forecast of HK\$0.31 (+34.8% YoY), and revise down our forecasts from HK\$0.41 to HK\$0.40 in 19E (+29.0% YoY) and from HK\$0.49 to HK\$0.48 in 20E (+20.0% YoY). We cut our target price from HK\$10.20 to HK\$8.50 (28x 18E PE and 21x 19E PE). With 35% upside, we maintain BUY.

Seasonal fluctuations. SSY Group's revenue in 3Q18 increased 26% YoY, vs +74% YoY in 1Q18 and +43% YoY in 2Q18, as the third quarter of the year is historically a weak season in terms of demand for IV infusion solutions, while the fourth and first quarters represent the peak season.

Margin expansion. In 9M18, SSY Group's blended gross margin improved by 6.9ppts to 62.0% (vs 55.1% in 9M17). This is mainly due to the rising sales contribution from high-margin products, especially therapeutic infusion solutions. In addition, the company's total sales of IV infusion products reached HK\$2.7bn in 9M18 (+45% YoY, vs +28% YoY in 9M17). Sales of non-PVC soft bags reached HK\$1.3bn (+28% YoY), while sales of upright soft bags arrived at HK\$478m (+90% YoY), sales of PP plastic bottles came in at HK\$595m (+45% YoY), and sales generated by glass bottles totalled HK\$335m (+75% YoY), representing 49%, 17%, 22%, and 12% of SSY Group's total IV infusion sales, respectively.

Rising capacity. SSY Group currently has a total capacity of 1,600m bottles/bags per annum. The firm will add 100m bottles/bags of capacity in 18E and 50m bottles/bags in 19E. Of this, 100m bottles/bags will be for the manufacturing of products for surgery (from 4Q18), while the remaining 50m bottles/bags will be for the production of large volume (2,000ml-plus) solutions. We forecast SSY Group's infusion sales volume to rise to 1.45bn bottles/bags in 18E (+12% YoY), 1.56bn bottles/bags in 19E (+8% YoY), and 1.62bn bottles/bags in 20E (+4% YoY).

Caffeine business. SSY Group acquired seven caffeine-related bulk medicines from Tianjin Zhong'an Pharmaceutical in 2017, and will build 5,000tpa of caffeine-related bulk medicines capacity in Tianjin. The facilities will commence operation next year, and we forecast capacity utilisation of 60% (3,000t) in 19E and 80% (4,000t) in 20E.

Maintain BUY. We maintain our 18E diluted EPS forecast of HK\$0.31 (+34.8% YoY), and revise down our forecasts from HK\$0.41 to HK\$0.40 in 19E (+29.0% YoY) and from HK\$0.49 to HK\$0.48 in 20E (+20.0% YoY). We cut our target price from HK\$10.20 to HK\$8.50 (28x 18E PE and 21x 19E PE). With 35% upside, we maintain our BUY recommendation.

Appendix

Consolidated Income Statement

HK\$m	2016	2017	2018E	2019E	2020E
Revenue	2,361	3,076	4,274	5,220	5,915
Cost of Sales	(1,144)	(1,269)	(1,533)	(1,806)	(1,967)
Gross Profit	1,217	1,807	2,741	3,413	3,948
Other Income	65	6	0	0	0
Selling/General/Admi. Expenses	(642)	(962)	(1,617)	(1,931)	(2,189)
Ebitda	885	1,107	1,394	1,753	2,030
Ebit	641	851	1,124	1,482	1,760
Finance Costs	(52)	(54)	(44)	(42)	(35)
Profit before tax	588	797	1,080	1,440	1,725
Income tax expense	(98)	(134)	(158)	(245)	(293)
Minority interests	(1)	1	(1)	0	0
Profit for the year	490	665	920	1,196	1,432

Source: Company data, SWS Research

Consolidated Cash Flow Statement

HK\$m	2016	2017	2018E	2019E	2020E
Profit before taxation	588	797	1,080	1,440	1,725
Plus: Depr. and amortisation	244	256	271	271	271
Finance cost	53	57	44	42	35
Losses from investments	2	0	0	0	0
Change in working capital	(76)	(380)	(215)	(357)	(258)
Others	22	1	(11)	(2)	(2)
CF from operating activities	833	731	1,169	1,394	1,771
Capex	(323)	(373)	(300)	(300)	(300)
Other CF from investing activities	38	(0)	11	2	2
CF from investing activities	(285)	(374)	(289)	(298)	(298)
Equity financing	0	0	0	0	0
Net change in liabilities	(201)	151	(400)	(200)	(200)
Dividend and interest paid	(71)	(171)	(283)	(368)	(440)
Other CF from financing activities	(2)	47	0	0	0
CF from financing activities	(274)	27	(683)	(568)	(640)
Net cash flow	128	206	(6)	241	504
FCFF	388	219	721	851	1,179
FCFE	133	314	277	609	945

Source: Company data, SWS Research

Consolidated Balance Sheet

HK\$m	2016	2017	2018E	2019E	2020E
Current Assets	1,680	2,511	2,749	3,387	4,172
Bank balances and cash	447	687	681	923	1,427
Trade and other receivables	857	1,231	1,464	1,788	2,026
Inventories	278	398	408	481	524
Other current assets	97	196	196	196	196
Long-term investment	0	0	0	0	0
PP&E	2,393	2,549	2,549	2,549	2,549
Intangible and other assets	671	844	873	903	932
Total Assets	4,744	5,904	6,171	6,838	7,653
Current Liabilities	1,096	1,500	1,129	968	791
Borrowings	633	900	500	300	100
Trade and other payables	174	194	222	261	285
Other current liabilities	289	406	406	406	406
Long-term liabilities	964	917	917	917	917
Total Liabilities	2,060	2,417	2,045	1,885	1,708
Minority Interests	8	11	13	13	13
Shareholder Equity	2,676	3,475	4,113	4,941	5,932
Share Capital	64	64	64	64	64
Reserves	2,613	3,411	4,049	4,876	5,868
Total Equity	2,684	3,487	4,125	4,953	5,945
Total Liabilities and equity	4,744	5,904	6,171	6,838	7,653

Source: Company data, SWS Research

Key Financial Ratios

	2016	2017	2018E	2019E	2020E
Ratios per share (HK\$)					
Earnings per share	0.17	0.23	0.31	0.40	0.48
Diluted EPS	0.17	0.23	0.31	0.40	0.48
Operating CF per share	0.24	0.19	0.32	0.37	0.48
Dividend per share	0.06	0.07	0.09	0.12	0.15
Net assets per share	0.95	1.23	1.37	1.64	1.97
Key Operating Ratios (%)					
ROIC	11.30	12.20	15.40	18.22	19.14
ROE	19.31	21.61	24.26	26.41	26.33
Gross profit margin	51.56	58.74	64.14	65.39	66.75
Ebitda Margin	37.46	35.98	32.63	33.58	34.32
Ebit Margin	27.13	27.67	26.29	28.39	29.75
Growth rate of Revenue(YoY)	6.27	30.29	38.92	22.13	13.33
Growth rate of Profit(YoY)	21.35	35.79	38.47	29.88	19.75
Debt-to-asset ratio	43.42	40.94	33.15	27.57	22.32
Turnover rate of net assets	0.88	0.88	1.04	1.05	1.00
Turnover rate of total assets	0.50	0.52	0.69	0.76	0.77
Effective tax rate (%)	16.61	16.76	14.67	17.00	17.00
Dividend yield (%)	0.88	1.11	1.49	1.94	2.32
Valuation Ratios (x)					
PE	36.31	26.95	20.57	15.86	13.24
PB	6.63	5.13	4.60	3.83	3.19
EV/Sale	8.51	6.51	4.60	3.68	3.13

Source: Company data, SWS Research

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