

16 November 2018

Outperform
Unchanged

稳健表现

CIMC Enric Holdings (03899 HK)

Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Revenue (HK\$ m)	7,968	10,671	12,899	15,133	17,197
YoY (%)	(3.31)	33.92	20.88	17.31	13.64
Net income (HK\$ m)	(928.77)	417	755	937	1,087
YoY (%)	-	-	81.02	23.99	16.01
EPS (HK\$)	(0.48)	0.22	0.39	0.48	0.56
Diluted EPS (HK\$)	(0.48)	0.21	0.39	0.48	0.56
ROE (%)	(17.52)	7.11	11.70	13.07	13.60
Debt/asset (%)	58.86	58.59	61.32	64.09	64.85
Dividend yield (%)	1.20	1.00	1.46	1.95	2.26
PE (x)	-	26.92	14.87	11.99	10.34
PB (x)	2.11	1.91	1.74	1.57	1.41
EV/Ebitda (x)	17.19	15.46	12.08	9.89	8.54

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

Market Data: November 15, 2018

Closing Price (HK\$)	6.95
Price Target (HK\$)	8.18
HSCEI	10,555
HSCCI	4,273
52-week High/Low (HK\$)	9.45/4.66
Market Cap (RMB Mn)	11,562
Market Cap (HK\$m)	13,874
Shares Outstanding (m)	1,996
Exchange Rate (Rmb-HK\$)	1.20

Price Performance Chart:



Source: Bloomberg

Analyst

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Related Reports

"CIMC Enric Holdings (03899:HK) –
"Improved profitability" 23 August
2018

The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page

这周我们再次造访了中集安瑞科位于南通的能源装备、液态食品与化工装备工厂。公司业务稳步开展，基本面向好，基于此，我们维持 18/19/20 年的摊铺每股收益预测人民币 0.39/0.48/0.56 元。受人民币贬值影响，我们将目标价由港币 8.38 元下调至港币 8.18 元，对应 18/19 年 17.0/14.0 倍市盈率。现价距目标价有 17.7% 的上涨空间，我们维持增持评级。

LNG 板块瓶颈未解。 我们注意到 LNG 工厂存货周转慢的问题依然没有获得解决，存货周转天数（三个月）仍然低于管理层设定的目标（40 天）。虽然整体 LNG 调峰储气设备市场向好，但周转率低带来的产能瓶颈限制了一部分 LNG 业务收入增长的潜力。我们注意到 18 年三季度 LNG 业务在手订单环比增速由二季度的 26.1% 下滑至 7%，较 17 年三季度的 31.7% 也有所下滑。基于对周转率的担忧，我们将能源板块 18 年收入预测由人民币 63.6 亿元下调至 58.8 亿元，毛利预测由人民币 9.6 亿元下调至 9.2 亿元。管理层已积极着手解决这一瓶颈，计划于 19 年提升约 40% 的 LNG 产能，我们对这一瓶颈在长期获得消除保持乐观。

化工板块高景气。 受油价复苏利好，我们注意到化工板块依然保持着高景气度。截止至 18 年 9 月底，在手订单同比增长 20.8% 至人民币 14.5 亿元，可以预见到 19 年上半年的订单。受强劲的订单流拉动，化工罐箱产线单班每日产能由 17 年的 32 台提升至 18 年上半年的 34 台，并进一步提升至 18 年下半年的 42 台，存货周转天数较 17 年进一步下降 7-8 天至 70 天，好于我们之前预期。基于此，我们将 18 年化工板块收入预测由人民币 33.3 亿元上调至 37.1 亿元，19 年收入预测由人民币 35.9 亿元上调至 37.3 亿元。

海工板块前景光明。 受强劲的用气需求拉动，我们预计 LNG 进口在未来三年将以年化 20.2% 的增速增长，利好将战略重心转为中小型 LNG 运输、加注船的海工板块。目前海工板块在手订单达到约人民币 20 亿元，占能源板块总在手订单的 37%。随着 LNG 进口快速增长、潜在大量低价美国 LNG 流入，我们认为海工板块将拉动安瑞科整体业绩增长。我们预计海工板块在 18/19/20 年将录得人民币 7.5/15.5/21.5 亿元的收入，占能源板块总收入的 12.8%/20.8%/24.8%。

维持增持。 公司业务稳步开展，基本面向好，我们对公司未来发展保持乐观。基于此，我们维持 18/19/20 年的摊铺每股收益预测人民币 0.39/0.48/0.56 元。受人民币贬值影响，我们将目标价由港币 8.38 元下调至港币 8.18 元，对应 18/19 年 17.0/14.0 倍市盈率。现价距目标价有 17.7% 的上涨空间，我们维持增持评级。

This week we revisited several of CIMC Enric's subsidiaries in Nantong, which manufacture liquefied natural gas (LNG) equipment, liquid food storage equipment, and chemical storage equipment. Given the firm's solid performance and rapidly growing gas consumption, we maintain our EPS forecasts of Rmb0.39 in 18E (+86% YoY), Rmb0.48 in 19E (+23% YoY), and Rmb0.56 in 20E (+17% YoY). We revise down our target price from HK\$8.38 to HK\$8.18 (17.0x 18E PE, 14.0x 19E PE) due to forex impacts. With 17.7% upside, we reiterate our Outperform recommendation.

Bottlenecks in the energy segment. We note that lower-than-expected inventory turnover persists at the firm's LNG equipment factory in Nantong (three months versus management's target of 40 days), limiting top-line growth amid robust demand for LNG storage equipment. LNG backlog order growth slowed down to 7% QoQ in 3Q18, compared to 26.1% QoQ in 2Q18 and 31.8% QoQ in 3Q17. As such, we lower our revenue forecast for the energy segment from Rmb6.4bn to Rmb5.9bn, and gross profit forecast from Rmb955mn to Rmb923mn in 18E. However, we believe that bottleneck issues can be solved, relieving capacity constraints in the long run as the management plans to expand production capacity by c.40% to address the issue in 2019.

Chemical segment offers upside. We witnessed strong operational performance at Enric's chemical equipment factory. Facilitated by the oil recovery, the backlog amounted to Rmb1.45b (+20.8% YoY) by the end of September 2018, with order visibility extended to 1H19. Given strong order inflows, compared to 32 units in 2017, daily production per shift further increased from 34 units in 1H18 to 42 units in 2H18, with a 7-8 days YoY decrease in inventory turnover in 2018. Given the stronger-than-expected performance, we raise our revenue forecast from Rmb3.3bn to Rmb3.7bn in 18E, and from Rmb3.6bn to Rmb3.7bn in 19E.

A bright future for SOE. Underpinned by strong gas demand, we expect LNG imports to increase by a 20.2% Cagr in the coming three years, benefiting subsidiary Sinopacific Offshore & Engineering (SOE), which has shifted strategic focus to medium-size LNG distribution and transportation ships. Currently, SOE's order backlog amounts to Rmb20bn, accounting for 37% of the total energy segment backlog. With rapidly growing LNG imports and the potential recommencement of US LNG imports, we expect SOE to serve as a growth driver for the firm. We forecast SOE to contribute revenue of Rmb0.7bn in 18E, Rmb1.5bn in 19E and Rmb2.2bn in 20E, accounting for 12.7%, 20.9% and 25.2% of total segment revenue.

Maintain Outperform. We reiterate our positive view on the firm's growth outlook, underpinned by rapidly growing gas consumption. Given the firm's solid performance, we maintain our EPS forecasts of Rmb0.39 in 18E (+86% YoY), Rmb0.48 in 19E (+23% YoY), and Rmb0.56 in 20E (+17% YoY). We revise down our target price from HK\$8.38 to HK\$8.18 (17.0x 18E PE, 14.0x 19E PE) due to forex impacts. With 17.7% upside, we reiterate our Outperform recommendation.

Appendix

Consolidated Income Statement

(Rmbm)	2016	2017	2018E	2019E	2020E
Revenue	7,968	10,671	12,899	15,133	17,197
Cost of Sales	(6,709)	(6,565)	(8,875)	(10,724)	(12,520)
Gross Profit	1,404	1,796	2,175	2,613	3,009
Other Income	176	215	214	230	240
Distribution expenses	(294)	(280)	(387)	(361)	(424)
Administrative expenses	(727)	(757)	(920)	(1,096)	(1,271)
EBITDA	909	996	1,228	1,458	1,660
EBIT	666	4,993	5,205	5,579	6,030
Finance Costs	(107)	(79)	(30)	(20)	(20)
Profit before tax	(804)	555	918	1,138	1,320
Income tax expense	(132)	(135)	(156)	(193)	(224)
Minority interests	8	(3)	(6)	(8)	(9)
Profit for the year	(929)	417	755	937	1,087

Source: Company data, SWS Research

Consolidated Cash Flow Statement

(Rmbm)	2016	2017	2018E	2019E	2020E
Profit before taxation	(804)	555	918	1,138	1,320
Plus: Depr. and amortisation	244	255	280	300	320
Finance cost	(107)	(79)	(30)	(20)	(20)
Losses from investments	0	0	0	0	1
Change in working capital	449	57	(196)	67	210
Others	1,298	57	(118)	(80)	(317)
CF from operating activities	1,080	845	854	1,404	1,513
Capex	(117)	(172)	(200)	(200)	(200)
Other CF from investing activities	(529)	(335)	0	0	0
CF from investing activities	(646)	(507)	(200)	(200)	(200)
Equity financing	0	0	0	0	0
Net change in liabilities	1,637	288	2,100	2,700	2,700
Dividend and interest paid	(259)	(82)	(226)	(282)	(324)
Other CF from financing activities	(995)	(1,177)	(1,500)	(2,000)	(2,000)
CF from financing activities	383	(971)	374	418	376
Net cash flow	881	(666)	1,057	1,642	1,709
FCFF	1,439	(274)	1,413	2,114	2,039
FCFE	3,076	14	3,513	4,814	4,739

Source: Company data, SWS Research

Consolidated Balance Sheet

(Rmbm)	2016	2017	2018E	2019E	2020E
Current Assets	9,543	10,314	12,643	15,573	18,350
Bank balances and cash	2,917	2,260	3,309	4,950	6,659
Trade and other receivables	2,769	2,980	3,004	3,524	4,005
Inventories	2,248	3,054	3,526	4,116	4,665
Other current assets	1,608	2,021	2,805	2,983	3,022
Long-term investment	0	0	0	0	0
PP&E	2,148	2,590	2,800	3,000	3,000
Intangible and other assets	228	230	228	228	228
Total Assets	12,888	14,176	16,697	19,961	22,738
Current Liabilities	5,736	7,669	8,445	10,919	12,940
Borrowings	177	1,390	130	130	130
Trade and other payables	1,966	2,433	2,644	3,087	3,498
Other current liabilities	3,593	3,846	5,671	7,702	9,311
Long-term liabilities	1,422	0	1,400	1,400	1,400
Total Liabilities	7,586	8,306	10,239	12,793	14,746
Minority Interests	143	145	174	209	251
Shareholder Equity	5,159	5,725	6,284	6,958	7,741
Share Capital	18	18	18	18	18
Reserves	5,141	5,707	6,266	6,940	7,723
Forex Difference	0	0	0	0	0
Total Liabilities and equity	12,888	14,176	16,697	19,960	22,737

Source: Company data, SWS Research

Key Financial Ratios

	2016	2017	2018E	2019E	2020E
Ratios per share (HK\$)					
Earnings per share	(0.48)	0.22	0.39	0.48	0.56
Diluted EPS	(0.48)	0.21	0.39	0.48	0.56
Operating CF per share	0.56	0.44	0.44	0.72	0.78
Dividend per share	0.08	0.07	0.10	0.14	0.16
Net assets per share	2.74	3.03	3.33	3.70	4.12
Key Operating Ratios (%)					
ROIC	(12.88)	3.94	6.65	11.23	11.93
ROE	(15.79)	7.53	12.34	13.75	14.34
Ebitda Margin	8.35	6.94	7.34	7.65	7.79
Ebit Margin	8.36	6.94	7.35	7.65	7.79
Growth rate of Revenue(YoY)	(3.31)	33.92	20.88	17.31	13.64
Growth rate of Profit(YoY)	(8.42)	27.97	21.09	20.11	15.16
Debt-to-asset ratio	58.86	58.59	61.32	64.09	64.85
Turnover rate of net assets	1.54	1.86	2.05	2.17	2.22
Turnover rate of total assets	1.39	1.39	1.53	1.39	1.33
Effective tax rate (%)	(16.47)	24.33	17.00	17.00	17.00
Dividend yield (%)	1.21	1.01	1.46	1.95	2.26

Source: Company data, SWS Research

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