

Oct 29, 2013

Buy  
Unchanged

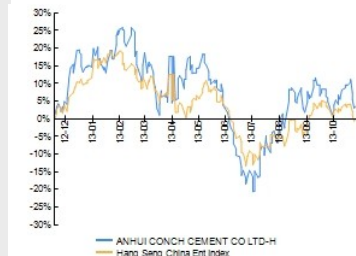
## 基本面强劲

### 安徽海螺水泥 (914 HK)

#### Market Data: Oct, 28

Closing Price (HK\$)	25.5
Price Target (HK\$)	32.3
HSCEI	10,220
HSCCI	4,341
52-week High/Low (HK\$)	31.70/19.22
Market Cap (USD Mn)	17,430
Market Cap (HK\$ Mn)	135,132
Shares Outstanding (Mn)	1,300
Exchange Rate (RMB-HK\$)	1.26

#### Price Performance Chart:



Source: Bloomberg

#### Analyst

Rong Ye A0230512110001  
AYZ033  
yerong@swsresearch.com

#### Contact

Wennie Lv  
(8621)23297818x7241

#### Related Reports

"ANHUI CONCH CEMENT CO LTD-H (914 HK): 1H2013 core earnings in line, start of consensus upgrade" Aug 16, 2013

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#### Financial summary and valuation

	2011	2012	2013E	2014E	2015E
Revenue (RMB million)	48,653.81	45,766.20	53,189.29	62,000.00	67,500.00
YOY (%)	40.99	(5.94)	16.22	16.56	8.87
Net income (RMB million)	11,586.38	6,331.10	8,902.23	10,257.00	11,504.16
YOY (%)	87.98	(45.36)	40.61	15.22	12.16
EPS (RMB)	2.19	1.19	1.68	1.94	2.17
Diluted EPS (RMB)	2.19	1.19	1.68	1.94	2.17
ROE (%)	25.48	12.16	14.52	14.32	13.85
Debt/asset (%)	14.47	20.09	19.60	13.17	5.69
Dividend Yield (%)	0.87	1.37	0.94	1.32	1.52
P/E (x)	9.26	16.94	12.05	10.46	9.32
P/B (x)	2.31	2.01	1.71	1.46	1.26
EV/EBITDA (x)	6.72	11.24	7.84	6.68	5.75

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

#### 投资要点:

**摘要:** 海螺水泥 2013 年 3 季度实现净利润 23.24 亿元, 同比增长 128%, 基本符合我们的预期。基于 9 月份以来水泥价格的强劲上涨以及 2013 年 4 季度往后的供需改善前景, 我们认为公司 2013 年 4 季度和 2014 年全年业绩将达到我们预期并且有超市场预期可能。因此, 我们重申买入评级, 对应目标价 32.3 港币。

■ **2013 年 3 季度核心业绩符合预期** 公司 2013 年 3 季度实现销量约 5860 万吨, 同比增长 10%, 对应我们预期的 5900 万吨。2013 年 3 季度公司吨毛利为 74.7 元/吨, 对应我们预计的 73 元/吨, 同比上涨 25 元/吨得益于吨售价年增长 10 元/吨而吨成本下降 15 元/吨。2013 年 3 季度的吨销售管理费用同比维持在 21 元/吨的水平。吨财务成本下降 1.5 元/吨至 3.5 元/吨。资产负债表和经营性现金流维持健康水平。

■ **2013 年 4 季度/2014 年吨毛利有望超预期** 在近期海螺的核心市场长江流域以及华南地区水泥价格上涨之后, 我们估计公司目前的吨毛利水平已经超过 95 元/吨, 达到今年以来的最高水平。因此我们认为保守估计公司 2013 年 4 季度的吨毛利将达到 90 元/吨。往后看, 2014 年全年全国将仅有 3% 的水泥新增产能 (不考虑落后产能淘汰)。与此同时, 我们认为 2014 年水泥需求的年增长率将不低于 5%, 考虑到过去的 10 年当中水泥需求年增长率在 2008 年最低时也有 5.2%。因此我们认为基于供需改善的前景公司的吨毛利有上行空间。

■ **核心假设:** 我们预计海螺水泥 2013/14 年全年将实现吨毛利 75/78 元/吨, 销售量 2.28/2.5 亿吨。

■ **估值&目标价:** 基于公司强劲的 3 季报业绩和我们看好 2013 年 4 季度往后公司的业绩增长, 我们维持公司 2013/14 全年盈利预测 1.70/1.94 元不变, 对应 42/14% 的年增长率。我们维持目标价 32.3 港币, 对应 13 倍的 2014 年预测市盈率, 距离当前价格有 27% 的上涨空间。我们重申买入评级。

■ **催化剂:** 有别于市场核心的担忧, 水泥价格在 11/12 月份保持稳定, 将会是股价上行的催化剂。

■ **风险:** 中国的经济结构转型可能导致水泥需求弱于预期。

## Investment Highlights:

**Summary: Solid 3Q.** Conch reported 3Q13 net profit of Rmb2,324m, up 128% YoY, broadly in line with our expectation. Based on strong cement price hikes since September and continually improving supply demand dynamics from 4Q13 onwards, we believe the company's earnings in FY2013/14 will meet our expectation with upside potential to consensus. Thus, we reiterate BUY with a HK\$32.3 target price.

- **Results broadly in line.** The company's 3Q13 sales volume amounted to c.58.6MT, up 10% YoY, vs our estimation of 59MT. Gross profit per unit reached Rmb74.7/ton in 3Q, vs our estimation of Rmb73/ton, up Rmb25/ton YoY as average selling price (ASP) increased by Rmb10/ton and Cogs declined by Rmb15/ton YoY. 3Q13 unit SG&A remained stable on a year-on-year basis at Rmb21/ton. Financing costs declined by Rmb1.5/ton YoY to Rmb3.5/ton. Balance sheet and cash flow from operations both remained healthy.

- **We see upside in 4Q13/2014.** With the recent rally of cement prices in Yangtze River Regions and southern China, Conch's core markets, we estimate current gross margin to be above Rmb95/ton, reaching the highest level during the year. Thus we believe 4Q13 gross profit to reach Rmb90/ton, which is conservative in our view. Looking into 2014, there will be just 3% new capacity addition, without considering older capacity elimination. Meanwhile, we believe demand growth will be no less than 5% in 2014, below the lowest 10-year level of 5.2%, which was recorded in 2008. Thus we see upside potential in the company's gross profit based on improving supply demand dynamics.

- **Key assumptions:** We assume Conch's FY13E gross profit of Rmb75/ton and Rmb78/ton in FY14E with sales volume of 228MT and 250 MT, respectively.

- **Valuation & Price:** Based on the solid 3Q13 results and our positive stance towards its earnings growth outlook from 4Q13 onwards, we maintain our FY13E/14E EPS forecast at Rmb1.70/Rmb1.94, representing 42%/14% YoY earnings growth. We maintain our HK\$32.3 target, which implies 13x 14E PE, and represent 27% upside. Reiterate BUY.

- **Catalyst:** Stable cement pricing instead of a correction, which is a key market concern, in November/December.

- **Risks:** China's economic structural changes could result in weaker-than-expected demand.

## Appendix

**Fig 1: Consolidated Income Statement**

RMB M	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
<b>Revenue</b>	18,776	24,228	24,998	34,508	48,654	45,766	53,189	62,000	67,500
<b>Cost of Sales</b>	13,047	18,321	17,971	23,566	29,477	33,265	36,291	42,500	45,900
<b>Gross Profit</b>	5,729	5,908	7,027	10,942	19,177	12,502	16,898	19,500	21,600
<b>Other Income</b>	343	385	331	502	1,028	1,242	1,134	1,250	1,350
Distribution expenses	1,219	1,366	1,420	1,546	2,744	2,581	3,000	3,497	3,807
Administrative expenses	722	840	978	1,295	1,688	2,178	1,845	2,151	2,341
EBITDA	4,931	5,141	6,217	10,009	17,129	10,532	15,313	17,661	19,839
EBIT	3,788	3,701	4,629	8,101	14,745	7,742	12,053	13,853	15,452
Finance Costs	633	821	451	514	1,205	1,327	1,327	1,327	1,327
<b>Profit before tax</b>	4,131	4,086	4,961	8,602	14,745	7,742	12,053	13,853	15,452
Income tax expense	813	591	882	1,770	3,880	1,639	2,575	2,793	3,130
Minority interests	208	71	121	182	233	156	227	250	270
<b>Profit for the year</b>	2,480	2,607	3,506	6,163	11,586	6,331	8,902	10,257	11,504

Source: Company data, SWS Research

**Fig 2: Consolidated Cash Flow Statement**

RMB M	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
<b>Profit before taxation</b>	3,501	3,269	4,508	8,115	15,699	8,126	11,704	13,300	14,904
Plus: Depr. and amortisation	1,144	1,440	1,588	1,909	2,384	2,790	3,260	3,808	4,388
Finance cost	633	821	451	514	1,205	1,327	1,327	1,327	1,327
Losses from investments	(4)	(49)	0	0	0	0	0	0	0
Change in working capital	(1,742)	553	(230)	(680)	(1,538)	(1,183)	(1,040)	(889)	(622)
Others	(865)	(768)	(927)	(1,511)	(2,883)	204	(2,319)	(2,708)	(3,050)
<b>CF from operating activities</b>	2,667	5,266	5,391	8,348	14,867	11,264	12,933	14,839	16,947
CAPEX	5,406	5,008	6,938	10,224	11,641	12,002	12,532	10,287	10,383
Other CF from investing activities	(327)	(1,352)	1,458	574	809	761	884	1,031	1,122
<b>CF from investing activities</b>	(5,734)	(6,360)	(5,480)	(9,650)	(10,832)	(11,241)	(11,648)	(9,256)	(9,261)
Equity financing	0	0	0	0	0	0	0	0	0
Net change in liabilities	4,134	7,351	5,197	6,000	5,000	0	0	0	0
Dividend and interest paid	(991)	(918)	(973)	(1,553)	(2,384)	(3,182)	(2,593)	(3,108)	(3,379)
Other CF from financing activities	0	0	0	0	0	(235)	2	3	4
<b>CF from financing activities</b>	3,143	6,433	4,224	4,447	2,616	(3,416)	(2,591)	(3,105)	(3,375)
<b>Net cash flow</b>	76	5,340	4,135	3,145	6,652	(3,394)	(1,306)	2,479	4,312
<b>FCFF</b>	<b>7,782</b>	<b>10,111</b>	<b>12,043</b>	<b>17,783</b>	<b>23,352</b>	<b>19,712</b>	<b>24,231</b>	<b>24,266</b>	<b>26,471</b>
<b>FCFE</b>	<b>11,282</b>	<b>16,641</b>	<b>16,790</b>	<b>23,269</b>	<b>27,147</b>	<b>18,385</b>	<b>22,904</b>	<b>22,939</b>	<b>25,144</b>

Source: Company data, SWS Research

**Fig 3: Consolidated Balance Sheet**

RMB M	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
<b>Current Assets</b>	7,436	13,872	18,005	23,544	33,550	29,887	30,323	35,198	40,957
Bank balances and cash	1,412	6,751	10,886	14,031	20,682	17,288	15,982	18,461	22,773
Trade and other receivables	4,001	4,839	5,019	6,921	9,750	9,172	10,638	12,400	13,500
Inventories	1,563	1,870	1,834	2,405	3,008	3,394	3,703	4,337	4,684
Long-term investment	490	1,525	421	421	421	421	421	421	421
PP&E	21,470	25,167	30,517	38,833	48,089	57,301	66,573	73,051	79,047
Intangible and other assets	447	487	487	487	487	487	487	487	487
<b>Total Assets</b>	30,921	42,384	47,004	60,266	83,746	91,094	96,563	113,381	125,845
<b>Current Liabilities</b>	9,633	11,174	6,604	8,883	11,349	10,675	11,411	12,919	13,745
Borrowings	4,947	4,803	4,205	4,430	4,500	3,200	4,100	4,500	4,501
Trade and other payables	4,172	5,866	5,760	7,553	9,448	8,074	8,809	10,316	11,141
Other current liabilities	108	220	220	220	220	221	222	223	224
Long-term liabilities	10,021	6,302	16,302	22,302	27,302	27,067	27,067	27,067	27,067
<b>Total Liabilities</b>	19,674	17,496	22,927	31,205	38,671	37,742	38,478	39,986	40,812
Minority Interests	464	466	586	797	1,190	1,404	1,706	2,052	2,441
Shareholder Equity	4,024	8,380	11,477	17,204	27,844	32,476	40,339	49,065	58,788
Share Capital	1,566	1,766	1,766	1,766	1,766	1,766	1,766	1,766	1,766
Reserves	5,193	14,275	14,275	14,275	14,275	14,275	14,275	14,275	14,275
<b>Total Liabilities and equity</b>	30,921	42,384	47,004	60,266	83,746	91,094	96,563	113,381	125,845

Source: Company data, SWS Research

**Fig 4: Key Financial Ratios**

	2007	2008	2009	2010	2011	2012	2013E	2014E	2015E
<b>Ratios per share (yuan)</b>									
Earnings per share	1.69	1.55	1.98	1.16	2.19	1.19	1.68	1.94	2.17
Diluted EPS		1.55	0.66	1.74	2.19	1.19	1.68	1.94	2.17
Operating CF per share	1.81	3.13	1.02	1.58	2.81	2.13	2.44	2.80	3.20
Dividend per share	0.00	0.00	0.10	0.12	0.22	0.35	0.24	0.34	0.39
Net assets per share	7.65	14.79	5.30	6.43	8.75	10.07	11.87	13.85	16.05
<b>Key Operating Ratios(%)</b>									
ROIC	15.25	12.7	13.1	18.2	24.5	11.8	15.1	15.5	15.7
ROE	23.90	10.8	12.9	18.6	25.5	12.2	14.5	14.3	13.8
Gross profit margin	30.51	24.4	28.1	31.7	39.4	27.3	31.8	31.5	32.0
EBITDA Margin	26.26	21.2	24.9	29.0	35.2	23.0	28.8	28.5	29.4
EBIT Margin	20.17	15.3	18.5	23.5	30.3	16.9	22.7	22.3	22.9
Growth rate of Revenue(YoY)	16.65	29.0	3.2	38.0	41.0	(5.9)	16.2	16.6	8.9
Growth rate of Profit(YoY)	60.66	5.1	34.5	75.8	88.0	(45.4)	40.6	15.2	12.2
Debt-to-asset ratio	43.20	16.7	18.7	24.1	14.5	20.1	19.6	13.2	5.7
Turnover rate of net assets	1.67	0.97	0.89	1.01	1.08	0.92	0.92	0.92	0.87
Turnover rate of total assets	0.61	0.57	0.49	0.53	0.57	0.50	0.52	0.55	0.54
Effective tax rate (%)	25.75	20.49	19.56	19.56	19.56	21.00	21.00	21.00	21.00
Dividend yield (%)	0.00	0.00	0.39	0.46	0.87	1.37	0.94	1.32	1.52

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**Valuation Ratios (X)**

P/E	15.12	13.1	10.2	17.4	9.3	16.9	12.0	10.5	9.3
P/B	3.33	1.7	3.8	3.1	2.3	2.0	1.7	1.5	1.3
EV/Sales	6.46	4.6	4.5	3.4	2.4	2.6	2.3	1.9	1.7
EV/EBITDA	24.60	21.8	18.2	11.6	6.7	11.2	7.8	6.7	5.7

*Source: Company data, SWS Research*

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