

理文造纸 [2314.HK]

市场已重置预期；是时候重新关注股份

理文造纸及玖龙纸业等造纸商的平均售价自2017年11月初起大幅调整，股价持续受压。行业消息显示，终端需求疲弱以及废纸价格下降，均是纸价下跌的原因。由于市场一直视废纸价格为股价催化剂，我们同意纸价下降将对造纸商短期内的股价构成影响。然而，目前包装纸的价格仍高于2017年上半年及2016年第四季的平均水平，因此厂商仍将受惠于较高的平均售价。中期来看，我们相信越趋严格的环保管制及对废纸入口较高的要求，将能部分抵销2018年开始增加新产能所带来的影响。公司方面，我们重申纸业业务是理文造纸其中一个增长点，其产能将由2017年中的46.5万吨增加至2018年中的79.5万吨。我们认为理文造纸的基本投资概念依然成立，近日的股价下挫为投资者提供重新考虑的机会。个股目前股价相当于9.6倍的2017年市盈率，维持「买入」评级及10.42港元的目标价（相当于11.3倍的2017年市盈率，与公司历史市盈率均值相若，低于其他上市同业的平均值）。

投资亮点

- **包装纸价格下滑。**自2017年11月初以来，理文造纸和玖龙纸业等包装纸生产商均下调产品价格。由10月底至今，华北、华东和华南的包装纸价格分别下调10.8%、8.5%和8.0%。业内消息显示，包装纸生产商降低平均售价，主要是由于终端需求疲弱和废纸价格下滑所致。由于中国的废纸价格自2017年9月以来已调整超过25%，纸张价格下跌并不令人意外，因为废纸是造纸商的主要成本。对于终端需求疲弱，我们想指出：a) 双十一有前期需求；b) 由于预期纸价上涨（部分是由于废纸价格上涨），纸箱生产商在7月至9月增加了包装纸的库存，这影响了短期供需形势。考虑到废纸价格的下降以及供应链的去库存进程，包装纸生产商进一步削减平均售价并不令人意外。由于市场将平均售价视为行业催化剂，造纸商的股票可能会继续受压。但是，情况可能并不如想象般差。即使近期造纸商降价，但目前平均售价仍高于今年上半年及2016年第四季的平均售价。理文造纸方面，其截至2017年11月10日的产品平均售价较2017年上半年平均水平高23-30%。造纸厂的每吨净利润的收窄幅度或不如平均售价般显著。来自海外的行业消息显示，行业供应（尤其是美国市场）偏紧，而全球供需形势偏向健康，这对中国造纸企业也属于正面。
- **纸业业务仍是增长动力。**与包装纸同业相比，理文造纸的纸业业务有助公司捕捉消费行业相关需求，也使其产品组合更多样化。理文造纸的纸业产能将从2017年中期的465,000吨增加到2018年中期的79.5万吨。我们认为，理文造纸的纸业业务的盈利能力良好，是由于公司的营销策略有效：a) 销售自有品牌产品；b) 通过网络渠道推广产品。我们亦认为，到2017年年底，公司的纸业业务将拥有三年的经营历史，我们认为该公司可将选择将纸业业务分拆。我们仍然相信纸业业务是公司的中长期增长动力。
- **至于箱板纸价格，**预计未来将由于中国持续控制污染而受到支持。由于预计中国政府将不会放松对造纸等高耗能行业的排放标准。自2017年初以来，中国政府也提高了进口废纸的标准。预计2018年的废纸进口量将保持紧张。这些政策很有机会限制行业的新增产能。

| 主要财务指标 (百万港元) | 2014 | 2015 | 2016 | 2017E | 2018E |
|---------------|-----------|-----------|-----------|-----------|-----------|
| 收入 | 17,099.1 | 17,615.6 | 18,341.7 | 24,468.8 | 27,848.4 |
| 变动(同比 %) | 0.8 | 3.0 | 4.1 | 33.4 | 13.8 |
| 毛利润 | 3,071.6 | 3,578.3 | 4,080.5 | 6,150.7 | 6,672.4 |
| 毛利率(%) | 18.0 | 20.3 | 22.2 | 25.1 | 24.0 |
| 净利润 | 1,904.4 | 2,331.8 | 2,862.7 | 4,184.1 | 4,489.9 |
| 净利润率(%) | 11.1 | 13.2 | 15.6 | 17.1 | 16.1 |
| 每股收益(基本) | 0.41 | 0.50 | 0.63 | 0.92 | 0.99 |
| 变动(同比 %) | (1.9) | 23.9 | 24.2 | 46.9 | 8.1 |
| 每股派息 | \$0.143 | \$0.180 | \$0.220 | \$0.302 | \$0.347 |
| 净资产收益率(%) | 11.3 | 13.4 | 16.8 | 23.2 | 22.0 |
| 股息收益率(%) | 1.61 | 2.03 | 2.48 | 3.41 | 3.92 |
| 市盈率(倍) | 21.8 | 17.6 | 14.1 | 9.6 | 8.9 |
| 自由现金流收益率(%) | 2.4 | 2.4 | 2.4 | 2.1 | 1.8 |
| | 2.24% | 3.05% | 2.99% | 4.74% | 11.06% |
| 资本开支(百万) | (2,093.3) | (2,849.5) | (3,800.0) | (3,600.0) | (1,500.0) |
| 每股自由现金流 | 0.2 | 0.3 | 0.3 | 0.4 | 1.0 |
| 净负债比率(%) | 62.0 | 65.6 | 73.0 | 73.2 | 58.8 |

来源：彭博，中国银河国际证券研究部预测

中国原材料行业 -

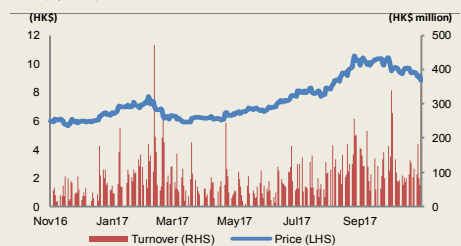
纸张

买入

收盘价：8.86港元（2017年11月17日）

目标价：10.42港元（+17.6%）

股价表现



来源：彭博，中国银河国际证券研究部

| | |
|----------|-----------------------------|
| 市值 | 41.16亿美元 |
| 发行在外股数 | 51.23亿股 |
| 核数师 | Deloitte Touche Tohmatsu |
| 自由流通量 | 30.6% |
| 52周交易区间 | 5.68-10.52港元 |
| 三个月日均成交量 | 1,570万美元 |
| 主要股东 | 李运强 (56.0%) |

来源：彭博，中国银河国际证券研究部

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Lee & Man Paper [2314.HK]

Expectations have been re-set. Time to revisit.

Shares of the paper manufacturers, including both Lee and Man Paper (LMP) and Nine Dragons Paper (NDP), have been under selling pressure due to a sharp adjustment in average selling prices (ASPs) since beginning of Nov 2017. Industry news flow suggests that weaker end demand and a fall in waste paper prices are the reasons for the major cut in paper prices. We share the view that the drop in paper prices will put pressure on the shares of paper makers in the near term, as the market uses treated paper price movement as a share price catalyst. However, the current packaging paper prices are still higher than the average in 1H 2017 and Q4 2016, so the paper makers will still benefit from higher ASPs. In the medium term, we believe that increasing environmental protection controls and higher requirements for imports of waste paper will partly offset the impact of new capacity increases in 2018 and beyond. For LMP, we reiterate the view that the tissue paper segment is one of the Company's growth drivers, as total capacity will increase from 465,000 tonnes in mid-2017 to 795,000 tonnes in mid-2018. We maintain the view that LMP's basic investment theme remains on track and that the recent share price weakness offers a re-visit opportunity. LMP is now trading at 9.6X 2017 PER. We maintain our BUY rating on LMP with a target price of HK\$10.42 (based on 11.3x 2017E PER, in line with its historical average and lower than the average of its listed peers).

Investment Highlights

- Packaging paper prices coming down.** Packaging paper manufacturers, including LMP and NDP, have cut their product prices since the beginning of Nov 2017. Packaging prices have dropped 10.8%, 8.5% and 8.0% since end of Oct 2017 in northern, eastern and southern China, respectively. Industry news flow suggests that weaker end demand and a fall in waste paper prices are the reasons for the ASP cut by packaging paper manufacturers. Since the waste paper price in China has corrected over 25% since Sep 2017, the drop in paper prices is not a surprise, as waste paper is a major cost item for paper manufacturers. Regarding weaker end demand, we would like to highlight that: a) Double 11 has front loaded demand, and b) box makers stocked up on packaging paper in Jul-Sep 2017 in anticipation of rising paper prices (partly due to higher waste paper prices), which impacted the short-term supply/demand situation. It is not a surprise that packaging paper manufacturers cut their ASPs further, given the weakening waste paper price and the destocking process in the supply chain. Shares of paper manufacturers may continue to come under pressure as the market treats ASP movement as a sector catalyst. However, the situation may not be as bad as expected. Even with the recent price cut, the current ASPs are still higher than the average ASPs in 1H 2017 and Q4 2016. In the case of LMP, the ASPs as of 10 Nov 2017, were 23-30% higher than average in 1H 2017. The net profit per tonne for paper manufacturers may not have narrowed as significantly as ASP movement. Overseas news flow suggests that market supply, especially in the US, is somewhat tight, and the global supply/demand situation is fairly healthy, which is also positive for Chinese paper manufacturers.
- Tissue paper remains a growth driver.** Compared with its peers in the packaging paper segment, LMP's tissue paper operation helps the Company increase its exposure to consumption-related demand and diversify its product portfolio. LMP's tissue paper capacity will increase from 465,000 tonnes in mid-2017 to 795,000 tonnes in mid-2018. We maintain the view that the good profitability of LMP's tissue paper business is due to the Company's effective marketing strategies: a) selling its own-brand products, and b) promotion via online channels. We also maintain the view that, by the end of 2017, LMP will have three years' operating history in tissue paper manufacturing, which in our view, offers the Company the option of spinning off its tissue paper operation. We still believe that the tissue paper operation is a medium- to long-term growth driver for LMP.
- Containerboard prices, going forward** are expected to be supported by ongoing pollution controls in China. There is no reason for Chinese government to reduce controls on emission standards of energy-intensive industries such as paper manufacturing. The Chinese government has also raised the standards on imported waste paper since the beginning of 2017. Imports of waste paper are expected to remain tight in 2018. These policies may constrain any increase in new capacity in the industry.

| Key Financials (in HKDm) | 2014 | 2015 | 2016 | 2017E | 2018E |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue | 17,099.1 | 17,615.6 | 18,341.7 | 24,468.8 | 27,848.4 |
| Change (YoY %) | 0.8 | 3.0 | 4.1 | 33.4 | 13.8 |
| Gross Profit | 3,071.6 | 3,578.3 | 4,080.5 | 6,150.7 | 6,672.4 |
| Gross Margin % | 18.0 | 20.3 | 22.2 | 25.1 | 24.0 |
| Net Profit | 1,904.4 | 2,331.8 | 2,862.7 | 4,184.1 | 4,489.9 |
| Net Margin % | 11.1 | 13.2 | 15.6 | 17.1 | 16.1 |
| EPS (Basic) | 0.41 | 0.50 | 0.63 | 0.92 | 0.99 |
| Change (YoY %) | (1.9) | 23.9 | 24.2 | 46.9 | 8.1 |
| DPS | \$0.143 | \$0.180 | \$0.220 | \$0.302 | \$0.347 |
| ROE (%) | 11.3 | 13.4 | 16.8 | 23.2 | 22.0 |
| Dividend Yield (%) | 1.61 | 2.03 | 2.48 | 3.41 | 3.92 |
| PER (x) | 21.8 | 17.6 | 14.1 | 9.6 | 8.9 |
| PBR (x) | 2.4 | 2.4 | 2.4 | 2.1 | 1.8 |
| FCF Yield (%) | 2.24% | 3.05% | 2.99% | 4.74% | 11.06% |
| Capex (m) | (2,093.3) | (2,849.5) | (3,800.0) | (3,600.0) | (1,500.0) |
| Free cash flow per share | 0.2 | 0.3 | 0.3 | 0.4 | 1.0 |
| Net Gearing (%) | 62.0 | 65.6 | 73.0 | 73.2 | 58.8 |

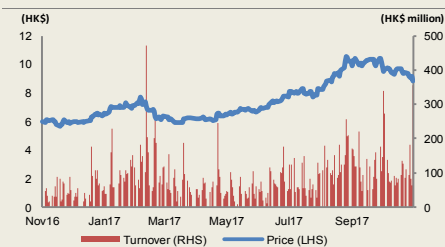
Sources: Company, CGIS Research estimates

China Materials - Paper BUY

Close: HK\$8.86 (Nov 17, 2017)

Target Price: HK\$10.42 (+17.6%)

Share Price Performance



Sources: Bloomberg, CGIS Research

| | |
|----------------------|-----------------------------|
| Market Cap | US\$4,116m |
| Shares Outstanding | 5,123m |
| Auditor | Deloitte Touche Tohmatsu |
| Free Float | 30.6% |
| 52W range | HK\$5.68-10.52 |
| 3M average daily T/O | US\$15.7m |
| Major Shareholding | Lee Wan Keung (56.0%) |

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Figure 1: LMP's 2016 Interim Results highlights

| 2016 Interim Results Highlights (HKD m) | 1H 2015 | 2H 2015 | 1H 2016 | 2H 2016 | 1H 2017 | 2H 2017F |
|---|---------|---------|---------|---------|---------|----------|
| Revenue | 8,695 | 8,920 | 8,369 | 9,973 | 11,440 | 13,029 |
| Cost of sales and services | -6,902 | -7,136 | -6,424 | -7,837 | -8,361 | -9,957 |
| Gross profit | 1,794 | 1,785 | 1,944 | 2,136 | 3,079 | 3,072 |
| Other income and other gains and losses | 148 | 293 | 310 | 258 | 344 | 300 |
| Distribution and selling expenses | -166 | -152 | -114 | -138 | -205 | -375 |
| Administrative expenses | -417 | -380 | -408 | -467 | -515 | -530 |
| Finance costs | -71 | -84 | -87 | -80 | -81 | -97 |
| JV & Associates | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 1,288 | 1,462 | 1,645 | 1,709 | 2,621 | 2,369 |
| Income tax expense | -168 | -251 | -215 | -276 | -427 | -379 |
| MI | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit for the period | 1,120 | 1,212 | 1,430 | 1,432 | 2,194 | 1,991 |
| Owners of the Company | 1,120 | 1,212 | 1,430 | 1,432 | 2,194 | 1,991 |
| Gross margin (%) | 20.6 | 20.0 | 23.2 | 21.4 | 26.9 | 23.6 |
| Operating margin (%) | 15.6 | 17.3 | 20.7 | 17.9 | 23.6 | 18.9 |
| Net Margin (%) | 12.9 | 13.6 | 17.1 | 14.4 | 19.2 | 15.3 |

Source: Company, CGIS Research

Figure 2: Key Assumptions for LMP

| | 2011 | 2012 | 2013 | 2014* | 2015 | 2016 | 2017F | 2018F |
|--------------------------------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| Turnover (HKD m) | | | | | | | | |
| Linerboard | 8,929.0 | 9,418.0 | 13,166.0 | 13,237.0 | 13,576.0 | 14,334.0 | 17,978.4 | 18,517.8 |
| Medium | 3,869.0 | 1,073.0 | 1,356.0 | 1,547.0 | 1,547.0 | 1,240.0 | 2,074.0 | 2,732.9 |
| Whiteboard | 1,539.0 | 601.9 | 1,800.9 | 1,531.0 | 1,394.0 | 1,463.0 | 1,755.6 | 2,335.6 |
| Pulp | 378.6 | 331.1 | 647.4 | 710.0 | 674.9 | 303.0 | 151.5 | 75.8 |
| Tissue Paper | 0 | 0 | 0 | 74.1 | 423.8 | 1,001.7 | 2,509.3 | 4,186.4 |
| Total | 14,715.6 | 11,424.0 | 16,970.4 | 17,099.1 | 17,615.6 | 18,341.7 | 24,468.8 | 27,848.4 |
| YoY Change (%) | | | | | | | | |
| Linerboard | | 5.5 | 39.8 | 0.5 | 2.6 | 5.6 | 25.4 | 3.0 |
| Medium | | (72.3) | 26.4 | 14.1 | 0 | (19.8) | 67.3 | 31.8 |
| Whiteboard | | (60.9) | 199.2 | (15.0) | (8.9) | 4.9 | 20.0 | 33.0 |
| Pulp | | (12.5) | 95.5 | 9.7 | (4.9) | (55.1) | (50.0) | (50.0) |
| Tissue Paper | | | | | 471.6 | 136.4 | 150.5 | 66.8 |
| Total | | (22.4) | 48.6 | 0.8 | 3.0 | 4.1 | 33.4 | 13.8 |
| Gross margin (%) | | | | | | | | |
| Linerboard | 14.0 | 17.1 | 17.0 | 18.0 | 20.3 | 22.2 | 25.1 | 24.0 |
| Medium | 15.1 | 17.5 | 17.5 | 18.6 | 20.8 | 22.3 | 25.3 | 23.8 |
| Whiteboard | 11.3 | 13.0 | 13.0 | 13.0 | 15.0 | 17.3 | 20.3 | 18.8 |
| Pulp | 14.2 | 17.0 | 17.0 | 17.0 | 20.0 | 22.3 | 25.3 | 24.0 |
| Tissue Paper | 15.0 | 18.0 | 15.4 | 17.4 | 19.4 | 19.4 | 19.4 | 19.4 |
| Tissue Paper | 0 | 0 | 0 | 25.0 | 25.0 | 28.0 | 28.0 | 28.0 |
| Net margin (%) | 9.2 | 11.6 | 11.5 | 11.1 | 13.2 | 15.6 | 17.1 | 16.1 |
| Cost (HKD m) | | | | | | | | |
| Cost of Sales | (12,652) | (9,473) | (14,084) | (14,028) | (14,037) | (14,261) | (18,318) | (21,176) |
| S,G&A | (842.3) | (660.2) | (934.0) | (1,038.9) | (1,114.2) | (1,127.3) | (1,626.2) | (1,850.8) |
| Financial Expenses | (229.1) | (335.4) | (293.2) | (178.7) | (60.8) | (73.7) | (80.4) | (86.9) |
| YoY Change (%) | | | | | | | | |
| Cost of Sales | | (25.1) | 48.7 | (0.4) | 0.1 | 1.6 | 28.4 | 15.6 |
| R&D | | (21.6) | 41.5 | 11.2 | 7.2 | 1.2 | 44.3 | 13.8 |
| Financial Expenses | | 46.4 | (12.6) | (39.0) | (66.0) | 21.2 | 9.1 | 8.1 |
| CAPEX (HKD m) | | | | | | | | |
| CAPEX (HKD m) | 3,000.0 | 1,600.0 | 2,242.5 | 2,093.3 | 2,849.5 | 3,800.0 | 3,600.0 | 1,500.0 |
| Net Gearing (%) | | | | | | | | |
| Net Gearing (%) | 65.4 | 57.7 | 62.7 | 62.0 | 65.6 | 73.0 | 73.2 | 58.8 |
| Shipment (000 tonnes) | | | | | | | | |
| Linerboard | 2,202 | 2,658 | 3,861 | 3,945 | 4,316 | 4,565 | 4,655 | 4,655 |
| Medium | 1,032 | 326 | 431 | 508 | 509 | 397 | 537 | 687 |
| Whiteboard | 414 | 176 | 519 | 437 | 425 | 454 | 454 | 604 |
| Tissue Paper | 0 | 0 | 0 | 10 | 48 | 141 | 355 | 575 |
| Shipment YoY Change (%) | | | | | | | | |
| Linerboard | | 21 | 45 | 2 | 9 | 6 | 2 | 0 |
| Medium | | (68) | 32 | 18 | 0 | (22) | 35 | 28 |
| Whiteboard | | (57) | 195 | (16) | (3) | 7 | 0 | 33 |
| Tissue Paper | | | | | 380 | 194 | 152 | 62 |
| ASP (HK\$) | | | | | | | | |
| Linerboard | 4,055.0 | 3,543.3 | 3,410.0 | 3,355.4 | 3,145.5 | 3,140.0 | 3,862.2 | 3,978.0 |
| Medium | 3,749.0 | 3,291.4 | 3,146.2 | 3,045.3 | 3,039.3 | 3,123.4 | 3,748.1 | 3,860.6 |
| Whiteboard | 3,717.3 | 3,419.8 | 3,470.0 | 3,503.4 | 3,280.0 | 3,222.5 | 3,867.0 | 3,867.0 |
| Tissue Paper | 0 | 0 | 0 | 7,413.4 | 8,828.7 | 7,104.1 | 7,068.6 | 7,280.6 |
| ASP YoY Change (%) | | | | | | | | |
| Linerboard | | (12.6) | (3.8) | (1.6) | (6.3) | (0.2) | 23.0 | 3.0 |
| Medium | | (12.2) | (4.4) | (3.2) | (0.2) | 2.8 | 20.0 | 3.0 |
| Whiteboard | | (8.0) | 1.5 | 1.0 | (6.4) | (1.8) | 20.0 | 0 |
| Tissue Paper | | | | | 19.1 | (19.5) | (0.5) | 3.0 |

Sources: Company, CGIS Research

Figure 3: Earnings projection

| Income Statement (HKDm) | FY2014 | FY2015 | FY2016 | FY2017F | FY2018F | Cash Flow Statement (HKDm) | FY2014 | FY2015 | FY2016 | FY2017F | FY2018F |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|--|----------------|----------------|----------------|----------------|----------------|
| Revenue | 17,099 | 17,616 | 18,342 | 24,469 | 27,848 | Net Income | 2,443 | 2,876 | 3,492 | 5,164 | 5,524 |
| Growth yoy% | 0.8% | 3.0% | 4.1% | 33.4% | 13.8% | Depreciation & Amort. | 820 | 858 | 927 | 1,047 | 1,097 |
| Gross Profit | 3,072 | 3,578 | 4,081 | 6,151 | 6,672 | Change in Working Capital | (241) | 365 | 593 | (701) | (694) |
| Growth yoy% | 6.4% | 16.5% | 14.0% | 50.7% | 8.5% | Cash from Ops. | 3,021 | 4,098 | 5,012 | 5,510 | 5,926 |
| Selling General & Admin Exp. | (1,039) | (1,114) | (1,127) | (1,626) | (1,851) | Capital Expenditure | (2,093) | (2,850) | (3,800) | (3,600) | (1,500) |
| Others Operating Expenses/Items | 0 | 0 | 0 | 0 | 0 | Sale of Property, Plant, and Equipment | - | - | - | - | - |
| Operating Income | 2,033 | 2,464 | 2,953 | 4,525 | 4,822 | Change in Investing Activities | (241) | (146) | (715) | (1,660) | (799) |
| Growth yoy% | n.a. | 21.2% | 19.9% | 53.2% | 6.6% | Cash from Investing | (2,335) | (2,996) | (4,515) | (5,260) | (2,299) |
| Interest Expense | (214.6) | (154.9) | (167.2) | (178.5) | (182.2) | Net increase in bank borrowings | 21,937 | 20,439 | (716) | 1,300 | 300 |
| Interest and Invest. Income | | | | | | Issuance of Common Stock | 0 | 0 | 0 | 0 | 0 |
| Income/(Loss) from Affiliates | 0 | 0 | 0 | 0 | 0 | Common Dividends Paid | (660) | (739) | (939) | (1,271) | (1,479) |
| Other Non-Operating Inc. (Exp.) | (35.5) | 13.2 | 22.3 | 0 | 0 | Special Dividend Paid | - | - | - | - | - |
| Impairment of Goodwill | 0 | 0 | 0 | 0 | 0 | Other Financing Activities | (576) | (957) | (528) | (777) | (815) |
| Gain (Loss) On Sale Of Invest. | 426 | 428 | 546 | 644 | 715 | Cash from Financing | 20,701 | 18,742 | (2,182) | (748) | (1,994) |
| Gain (Loss) On Sale Of Assets | | | | | | Net Change in Cash | 21,388 | 19,845 | (1,684) | (498) | 1,633 |
| Income Tax Expense | (305) | (418) | (491) | (806) | (865) | | | | | | |
| Minority Int. in Earnings | 0 | 0 | 0 | 0 | 0 | | | | | | |
| Net Income | 1904 | 2332 | 2863 | 4184 | 4490 | | | | | | |
| Growth yoy% | (2.2%) | 22.4% | 22.8% | 46.2% | 7.3% | | | | | | |

| Balance Sheet (HKDm) | FY2014 | FY2015 | FY2016 | FY2017F | FY2018F | Ratios | FY2014 | FY2015 | FY2016 | FY2017F | FY2018F |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------------|--------|--------|--------|---------|---------|
| ASSETS | | | | | | Profitability | | | | | |
| Cash And Equivalents | 2,033 | 2,959 | 1,274 | 776 | 2,409 | Return on Assets % | 5.8% | 6.6% | 8.1% | 11.2% | 10.8% |
| Receivables | 5,891 | 4,869 | 4,960 | 5,873 | 6,684 | Return on Capital % | 5.9% | 6.7% | 8.0% | 11.5% | 11.2% |
| Inventory | 3,258 | 3,092 | 2,914 | 3,888 | 4,425 | Return on Equity % | 11.3% | 13.4% | 16.8% | 23.2% | 22.0% |
| Other Current Assets | 35 | 122 | 45 | 45 | 48 | Margin Analysis | | | | | |
| Total Current Assets | 11,217 | 11,042 | 9,193 | 10,582 | 13,566 | Gross Margin % | 18.0% | 20.3% | 22.2% | 25.1% | 24.0% |
| Net Property, Plant & Equipment | 22,465 | 23,351 | 24,312 | 27,822 | 28,225 | SG&A Margin % | 6.1% | 6.3% | 6.1% | 6.6% | 6.6% |
| Long-term Investments | - | - | - | - | - | EBIT Margin % | 11.9% | 14.0% | 16.1% | 18.5% | 17.3% |
| Other Intangibles | - | - | - | - | - | EBITDA Margin % | 16.7% | 18.9% | 21.2% | 22.8% | 21.3% |
| Deferred Tax Assets, LT | - | - | - | - | - | Net Income Margin % | 11.1% | 13.2% | 15.6% | 17.1% | 16.1% |
| Other Long-Term Assets | 1,055 | 1,206 | 1,495 | 1,495 | 1,495 | Asset Turnover | | | | | |
| Goodwill | - | - | - | - | - | Total Asset Turnover | 0.5x | 0.5x | 0.5x | 0.6x | 0.6x |
| Accounts Receivable Long-Term | - | - | - | - | - | Fixed Asset Turnover | 0.7x | 0.7x | 0.7x | 0.8x | 0.9x |
| Total Long Term Assets | 23,520 | 24,557 | 25,807 | 29,317 | 29,720 | Accounts Receivable Turnover | 3.0x | 3.3x | 3.7x | 4.5x | 4.4x |
| Total Assets | 34,737 | 35,599 | 35,000 | 39,899 | 43,286 | Inventory Turnover | 5.2x | 5.7x | 6.3x | 6.3x | 6.3x |
| LIABILITIES & EQUITY | | | | | | Liquidity | | | | | |
| Accounts Payable | 3,262 | 3,043 | 3,549 | 4,735 | 5,389 | Current Ratio | 1.1x | 1.3x | 1.2x | 1.0x | 1.3x |
| Accrued Exp. | - | - | - | - | - | Quick Ratio | 0.8x | 0.9x | 0.8x | 0.7x | 0.8x |
| Short-term Borrowings | 6,698 | 5,250 | 4,240 | 5,240 | 5,240 | Avg. Days Sales Out. | 125.8 | 100.9 | 98.7 | 87.6 | 87.6 |
| Curr. Port. of LT Debt | - | - | - | - | - | Avg. Days Inventory Out. | 69.5 | 64.1 | 58.0 | 58.0 | 58.0 |
| Curr. Income Taxes Payable | - | - | - | - | - | Avg. Days Payable Out. | 84.9 | 79.1 | 90.8 | 94.3 | 92.9 |
| Unearned Revenue, Current | - | - | - | - | - | Avg. Cash Conversion Cycle | 140.9 | 118.2 | 102.7 | 94.4 | 93.2 |
| Other Current Liabilities | 357 | 156 | 174 | 179 | 197 | Net Debt to Equity | 62% | 66% | 73% | 73% | 59% |
| Total Current Liabilities | 10,317 | 8,449 | 7,964 | 10,154 | 10,826 | Growth Over Prior Year | | | | | |
| Long-Term Debt | 6,163 | 9,012 | 9,307 | 9,607 | 9,907 | Total Revenue | 0.8% | 3.0% | 4.1% | 33.4% | 13.8% |
| Def. Tax Liability, Non-Curr. | 0 | 0 | 0 | 0 | 0 | Net Income | (2.2%) | 22.4% | 22.8% | 46.2% | 7.3% |
| Other Non-Current Liabilities | 780 | 902 | 907 | 907 | 907 | Payout Ratio % | 35.1% | 35.7% | 35.1% | 32.8% | 34.9% |
| Total Liabilities | 17,260 | 18,363 | 18,177 | 20,668 | 21,639 | | | | | | |
| Common Stock | 117 | 114 | 114 | 113 | 113 | | | | | | |
| Additional Paid In Capital | - | - | - | - | - | | | | | | |
| Retained Earnings | 17,360 | 17,122 | 16,709 | 19,118 | 21,533 | | | | | | |
| Treasury Stock | - | - | - | - | - | | | | | | |
| Comprehensive Inc. and Other | - | - | - | - | - | | | | | | |
| Minority Interest | 0 | 0 | 0 | 0 | 0 | | | | | | |
| Total Equity | 17,477 | 17,236 | 16,823 | 19,231 | 21,646 | | | | | | |
| Total Liabilities And Equity | 34,737 | 35,599 | 35,000 | 39,899 | 43,286 | | | | | | |

Sources: Company Data, CGIS Research

Figure 4: Peer Comparison

| Ticker | Company | Price Lcy | Market Cap US\$m | PE | | | EV/EBITDA | | | PIB | | ROE | | ROA | | Div yield | | | Share Price Performance | | | | |
|----------------|-------------------------------|--------------|---------------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|-------------|-------------|------------|------------|------------|------------|-------------|-------------------------|-------------|-------------|-------------|--|
| | | | | 2017F | 2018F | 2019F | 2017F | 2018F | 2019F | 2016 | 2017F | 2016 | 2017F | 2016 | 2017F | 2016 | 2017F | 1M | 3M | 6M | 12M | YTD | |
| 2689 HK* | Nine Dragons Paper Holdings | 12.80 | 7660.0 | 8.0 | 7.6 | 6.7 | 6.6 | 6.3 | 5.8 | 1.7 | 1.5 | 4.4 | 19.9 | 6.6 | 9.3 | 2.8 | 3.9 | -22.4 | 3.2 | 44.3 | 96.9 | 82.1 | |
| 2314 HK | Lee & Man Paper Manufacturing | 8.9 | 5123.4 | 9.6 | 8.9 | n.a. | 9.8 | 9.0 | n.a. | 2.4 | 2.1 | 16.8 | 23.2 | 10.0 | 12.4 | 2.5 | 3.4 | -14.8 | 6.6 | 35.7 | 49.2 | 47.2 | |
| 1812 HK | Shandong Chenming Paper-H | 12.2 | 4014.4 | 6.1 | 5.5 | 4.0 | 9.6 | 9.1 | 8.2 | 1.3 | 0.7 | 11.2 | 13.6 | 3.2 | 3.3 | 5.8 | 5.5 | -15.9 | 6.1 | 39.1 | 79.9 | 52.7 | |
| 2002 HK | China Sunshine Paper Hldgs | 2.2 | 225.5 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.8 | n.a. | 7.9 | n.a. | 2.9 | n.a. | 3.3 | n.a. | -21.8 | 8.6 | 46.3 | 44.3 | 54.7 | |
| 2268 HK | Yuyuan International Holdin | 3.7 | 596.4 | 7.9 | 6.2 | 5.8 | 7.2 | 5.2 | 5.0 | 1.3 | 1.2 | 12.1 | 16.5 | 8.5 | n.a. | 0.0 | n.a. | -4.9 | 35.9 | 70.2 | 71.8 | 87.4 | |
| 2320 HK | Hop Fung Group Holdings Ltd | 1.2 | 126.5 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.7 | n.a. | 5.2 | n.a. | 5.7 | n.a. | 1.2 | n.a. | -7.5 | 11.7 | 30.5 | 63.9 | 31.8 | |
| 3366 HK | Overseas Chinese Town Asia | 3.1 | 261.4 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.6 | n.a. | 12.1 | n.a. | 1.0 | n.a. | 5.4 | n.a. | 3.6 | 1.6 | 4.3 | 11.8 | 4.3 | |
| 3331 HK | Vinda International Holdings | 15.72 | 2,403 | 26.3 | 22.2 | 19.4 | 12.9 | 11.3 | 10.3 | 2.3 | 2.5 | 11.1 | 9.8 | 4.0 | 4.7 | 1.1 | 1.0 | 9.2 | 8.9 | 0.9 | 1.4 | 8.4 | |
| 1044 HK | Hengan Intl Group Co Ltd | 75.85 | 11700.8 | 20.5 | 19.2 | 18.0 | 13.9 | 12.9 | 12.1 | 5.1 | 4.8 | 24.4 | 24.6 | 11.2 | 11.0 | 3.2 | 3.2 | 0.4 | 21.4 | 33.9 | 27.7 | 33.2 | |
| Average | | | | 13.8 | 12.2 | 10.9 | 10.3 | 9.2 | 8.5 | 1.8 | 2.2 | 12.6 | 17.9 | 5.8 | 7.9 | 2.9 | 3.4 | -6.5 | 12.6 | 43.7 | 40.0 | | |
| 000488 CH | Shandong Chenming Paper-A | 16.29 | 4014.4 | 9.0 | 8.0 | 6.7 | 9.2 | 8.5 | 7.6 | 1.9 | 1.3 | 11.2 | 16.4 | 3.5 | 4.5 | n.a. | 5.3 | -12.0 | 0.9 | 43.0 | 67.6 | 57.2 | |
| 002078 CH | Shandong Sun Paper Industr-A | 8.81 | 3442.8 | 12.0 | 9.7 | 8.0 | 7.5 | 6.7 | 5.8 | 2.4 | 2.3 | 14.1 | 21.2 | 8.1 | 8.6 | n.a. | 1.0 | -6.7 | 8.9 | 31.9 | 30.7 | 31.9 | |
| 600966 CH | Shandong Bohui Paper Indu-A | 5.68 | 1144.5 | 9.0 | 7.9 | 6.2 | 6.7 | 6.3 | 5.5 | 1.6 | 1.5 | 5.0 | 17.9 | 5.5 | 6.4 | n.a. | 0.5 | -14.2 | -6.0 | 15.9 | 49.5 | 51.9 | |
| 600308 CH | Shandong Huatai Paper Co -A | 6.47 | 1138.6 | 11.8 | 9.8 | 8.2 | 4.5 | 4.1 | 3.9 | 1.1 | 1.0 | 2.8 | 8.8 | 3.7 | n.a. | n.a. | n.a. | -8.7 | -5.1 | 23.2 | 15.9 | 18.9 | |
| 600963 CH | Yueyang Forest & Paper Co -A | 7.10 | 1495.8 | 29.3 | 17.7 | 12.7 | n.a. | n.a. | n.a. | 1.3 | 1.4 | 0.5 | 5.0 | 1.4 | 2.2 | n.a. | 0.8 | -24.8 | -15.6 | -15.5 | -13.9 | -13.1 | |
| 600103 CH | Fujian Qingshan Paper Inds-A | 4.00 | 1069.4 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 2.2 | n.a. | 2.1 | n.a. | 2.2 | n.a. | 0.0 | n.a. | -14.5 | -20.2 | -0.2 | -39.5 | -29.2 | |
| 600667 CH | Anhui Shanying Paper Ind-A | 4.43 | 3039.0 | 10.6 | 9.2 | 7.7 | 7.3 | 6.7 | 5.6 | 2.1 | 1.7 | 4.9 | 18.0 | 7.3 | 8.0 | n.a. | 2.3 | -10.5 | -5.1 | 24.1 | 25.5 | 22.4 | |
| 002067 CH | Zhejiang Jingxing Paper -A | 5.98 | 1017.1 | 13.6 | 10.3 | 8.9 | n.a. | n.a. | n.a. | 1.8 | 1.8 | 10.3 | 13.8 | 10.8 | n.a. | n.a. | n.a. | -13.7 | -4.8 | 3.1 | -20.2 | -10.5 | |
| 000815 CH | Mcc Meili Cloud Computing -A | 18.01 | 1887.4 | 600.3 | 29.0 | 18.6 | 152.8 | 21.7 | 13.8 | 6.4 | 6.0 | 0.4 | 1.0 | 2.6 | n.a. | n.a. | n.a. | 8.5 | 44.5 | 33.4 | -21.8 | -12.4 | |
| 002511 CH | C&S Paper Co Ltd-A | 15.04 | 1717.2 | 32.1 | 24.9 | 19.0 | 18.9 | 15.5 | 12.7 | 3.9 | 3.7 | 10.2 | 11.8 | 7.0 | 7.0 | n.a. | 0.6 | 0.3 | 12.9 | 26.7 | 11.7 | 13.4 | |
| Average | | | | 80.9 | 14.0 | 10.7 | 29.6 | 9.9 | 7.9 | 2.5 | 2.3 | 6.1 | 12.7 | 5.2 | 6.1 | 0.0 | 1.7 | -9.6 | 1.0 | 18.6 | 10.6 | 13.1 | |
| 1904 TT | Cheng Loong Corp | 16.80 | 618.8 | 13.5 | 12.3 | n.a. | n.a. | n.a. | n.a. | 1.0 | 0.8 | 6.6 | n.a. | 2.3 | n.a. | n.a. | n.a. | -6.1 | -7.7 | 17.1 | 43.6 | 29.7 | |
| IP US | International Paper Co | 54.07 | 22327.0 | 15.5 | 12.6 | 11.8 | 8.7 | 7.7 | 7.5 | 4.5 | 4.5 | 22.0 | 29.7 | 2.7 | 4.4 | 3.4 | 3.4 | -7.0 | 0.2 | 4.7 | 11.9 | 1.9 | |
| WRK US | Westrock Co | 59.15 | 15024.1 | 15.9 | 14.2 | 13.9 | 7.5 | 7.1 | 7.2 | 1.5 | 1.4 | -3.7 | 8.6 | 2.9 | n.a. | 2.7 | 2.9 | -0.8 | 5.5 | 13.4 | 18.8 | 16.5 | |
| STERV FH | Stora Enso Oyj-R Shs | 12.98 | 12087.2 | 15.4 | 13.9 | 12.9 | 8.6 | 8.0 | 7.8 | 1.8 | 1.7 | 8.3 | 10.9 | 4.6 | n.a. | n.a. | 3.1 | 5.5 | 11.7 | 14.3 | 47.5 | 27.1 | |
| UPM FH | Upm-Kymmene Oyj | 25.38 | 15979.1 | 14.4 | 14.4 | 14.3 | 8.8 | 8.8 | 8.8 | 1.6 | 1.6 | 10.9 | 11.2 | 6.8 | n.a. | n.a. | 4.0 | 7.0 | 11.5 | 3.5 | 19.4 | 8.7 | |
| 3863 JP | Nippon Paper Industries Co L | 2123.00 | 2192.7 | 23.3 | 15.9 | 15.1 | 11.4 | 10.5 | 10.0 | 0.6 | 0.6 | 0.5 | 2.6 | 1.3 | n.a. | n.a. | 2.8 | -1.8 | 0.8 | -2.0 | 9.6 | 7.2 | |
| 3880 JP | Daio Paper Corp | 1388.00 | 1841.6 | 17.6 | 14.5 | 13.2 | 9.4 | 8.4 | 7.8 | 1.1 | 1.0 | 9.2 | 9.3 | 1.9 | 2.7 | n.a. | 0.8 | -0.2 | 1.8 | -1.8 | 10.4 | 12.2 | |
| Average | | | | 16.5 | 14.0 | 13.5 | 9.1 | 8.4 | 8.2 | 1.7 | 1.6 | 7.7 | 12.1 | 3.2 | 3.5 | 3.1 | 2.8 | -0.5 | 3.4 | 7.0 | 23.0 | 14.8 | |
| HSI Index | Hang Seng Index | | | | | | | | | | | | | | | | | 1.7 | 6.8 | 15.4 | 31.2 | 32.7 | |
| HSCEI Index | Hang Seng China Ent Indx | | | | | | | | | | | | | | | | | 0.3 | 7.5 | 11.8 | 24.5 | 23.6 | |
| SHCOMP Index | Shanghai Se Composite | | | | | | | | | | | | | | | | | 0.3 | 3.5 | 9.0 | 5.4 | 9.0 | |
| MXCN Index | Msci China | | | | | | | | | | | | | | | | | 2.3 | 11.2 | 26.5 | 48.8 | 51.6 | |

Sources: Company Data, CGIS Research; * Financial year ended 30 June,

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