

China Consumer Staples Sector – Industry data update

Staples remain defensive

- 2M20 retail sales declined by 20.5% YoY, reflecting changes in consumer behaviors triggered by the coronavirus epidemic
- Lack of strength in the labor market has been reflected in the new unemployment rate; resumption of normal life will be gradual as the outbreak slowly comes under control
- Staple categories are expected to outperform as consumer spending remains conservative
- Food inflation would provide opportunities for staple companies to raise price level
- OVERWEIGHT sector rating; prefer industry leaders on higher defensiveness

2M20 retail sales declined by 20.5% YoY. The decline in total retail sales shows that the virus outbreak has substantially hampered consumption. Catering recorded a decline of 43.1% YoY, the steepest decline among all categories of retail sales items. Online retail sales of physical goods grew by 3.0% YoY, while total online retail sales declined by 3.0% YoY. Changes in consumption behavior induced by social distancing and reduced outdoor exposure would continue to weigh on service consumption.

Lack of strength in the labor market. The national surveyed unemployment rate increased to 6.2% in Feb 2020 vs 5.3% in Feb 2019. The surveyed unemployment rate among 25-59 was 5.6% in Feb 2020 vs. 4.9% in Feb 2019. Total new employment for 2M20 was 1.08mn vs 1.74mn for 2M19. The lackluster figures show a weakened labor market; hence, per capita income is likely to drop as a result. The resumption of normal life may help increase employment. However, with the COVID-19 becoming a pandemic, we believe employment, especially for the export-oriented enterprises, may continue to suffer. The spillover effects on employment and income would continue to increase especially for discretionary goods/services.

Staple categories will continue to outperform. 2M20 retail sales of “Grain, Oil, & Foodstuff”, “Beverages”, and “Traditional Chinese & Western Medicines” by enterprises of designated sizes grew by 9.7% YoY, 3.1% YoY, and 0.2% YoY. All other product categories suffered varying degrees of decline. This confirms that consumer behavior has retreated to the defensive in times of crisis. We maintain the view that the staple categories would continue to stand out in the consumer goods sector since consumer spending would remain conservative on pandemic-induced uncertainties.

Persisting inflationary pressure will challenge consumption recovery. In Jan 2020 and Feb 2020, CPI reached 5.4% YoY and 5.2% YoY. Yet, CPI (ex-food&energy) dropped from 1.5% YoY in Jan 2020 to 1.0% YoY in Feb 2020. CPI in the first two months shows that 1) pork price inflation was still a major contributor to headline inflation; 2) reduction on non-essential items partially offset the inflationary pressure in Feb. We believe inflationary pressure would continue to be supported by pork price in 1H20; potential reduction of goods supplied from overseas due to the virus outbreak would add to the pressure. Higher inflation would be favorable to players in the staple categories as their ability to increase pricing becomes stronger. Moreover, the erosion of real income growth would result in cautiousness over discretionary spending, thus relatively increasing the spending on staple goods.

Continue to favor industry leaders in consumer staples industry. We believe the staples category will be more defensive as 2M20 retail sales data reveal the relative resilience of staple goods consumption and industry leaders would be able to navigate future challenges. Sector top picks include **WH Group (288 HK)**, **Mengniu (2319 HK)**, **Feihe (6186 HK)**, **Anta (2020 HK)**, **Yili (600887 CH)**, and **Shuanghui (000895 CH)**.

Risk factors: 1) Macroeconomic risk; 2) inflation risk; 3) Policy/regulatory uncertainty; 4) Risk relating to Sino-US trade dispute; 5) Event risks; 6) Demographic risk.

Sector Report

Mar 18, 2020

Overweight

Analyst : Paul Pan

Tel: (852) 2147 8829

Email: paulpan@abci.com.hk

Key Data

Avg.20E P/E (x)	15.76
Avg.20E P/B (x)	3.74
Avg.20E Divd. Yield (%)	3.58
Previous sector rating	Overweight
Previous report date	Feb 11, 2020

Source(s): Bloomberg, ABCI Securities

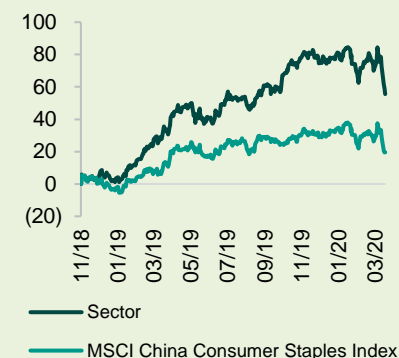
Sector Performance (%)

	Absolute	Relative*
1-mth	(12.33)	(2.84)
3-mth	(12.67)	(2.60)
6-mth	(0.01)	0.04

*Relative to MSCI China Consumer Staples

Source(s): Bloomberg, ABCI Securities

1-Year sector performance (%)

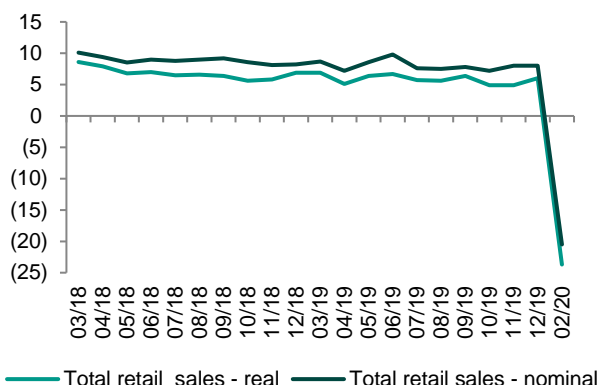


Source(s): Bloomberg, ABCI Securities

Note: Data as of Mar 18, 2020

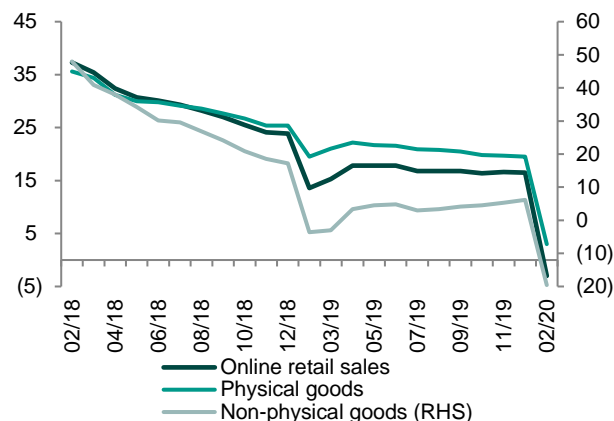


Exhibit 1: Retail sales growth (YoY %)



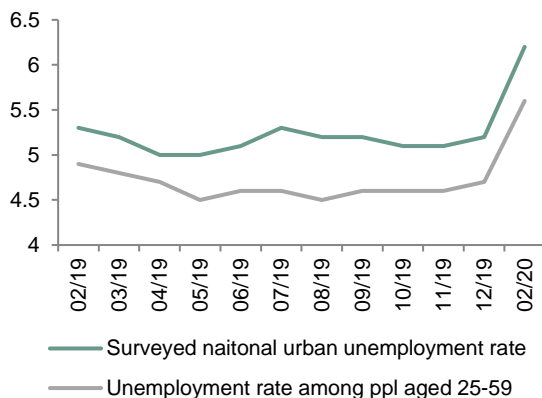
Source(s): NBS, ABCI Securities

Exhibit 2: Online retail sales growth (YTD YoY %)



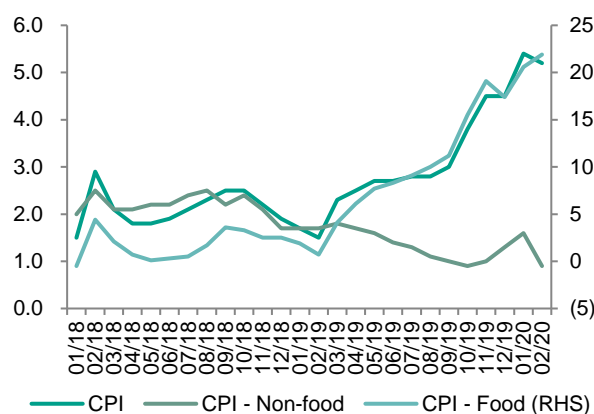
Source(s): NBS, ABCI Securities

Exhibit 3: Unemployment rate (%)



Source(s): NBS, ABCI Securities

Exhibit 4: CPI (YoY %)



Source(s): NBS, ABCI Securities

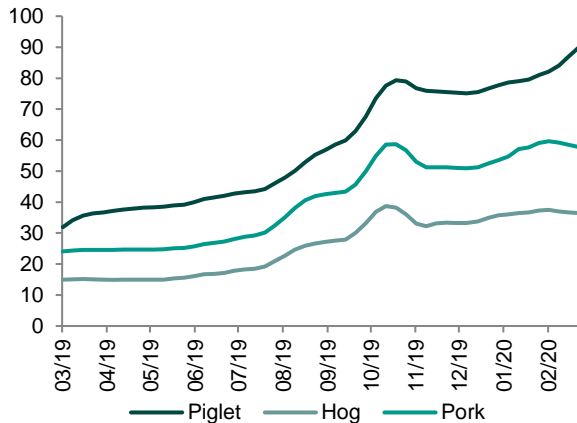
Exhibit 5: Retail sales growth of different product categories (YoY %)

	2M20	2M19	2019
Total retail sales	(20.5)	8.2	8.0
<u>Retail sales by designated enterprises</u>			
Grain, Oil & Foodstuff	9.7	10.1	10.2
Beverages	3.1	8.0	10.4
Traditional Chinese and Western Medicines	0.2	10.3	9.0
Commodities	(6.6)	15.9	13.9
Communication Appliances	(8.8)	8.2	8.5
Cultural and Office Appliances	(8.9)	8.8	3.3
Cosmetics	(14.1)	8.9	12.6
Tobacco and Liquor	(15.7)	4.6	7.4
Petroleum and Related Products	(26.2)	2.5	1.2
Household Appliances and AV Equipment	(30.0)	3.3	5.6
Building and Decoration Materials	(30.5)	6.6	2.8
Garments, Footwear, Hats, Knitwear	(30.9)	1.8	2.9
Furniture	(33.5)	0.7	5.1
Automobile	(37.0)	(2.8)	(0.8)
Gold, Silver and Jewelry	(41.4)	4.4	0.4

Source(s): NBS, ABCI Securities

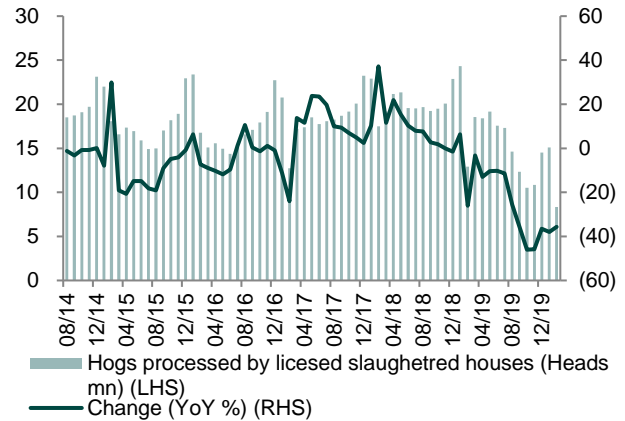


Exhibit 6: Weekly avg. wholesale price of piglet, hog, and pork (RMB/kg)



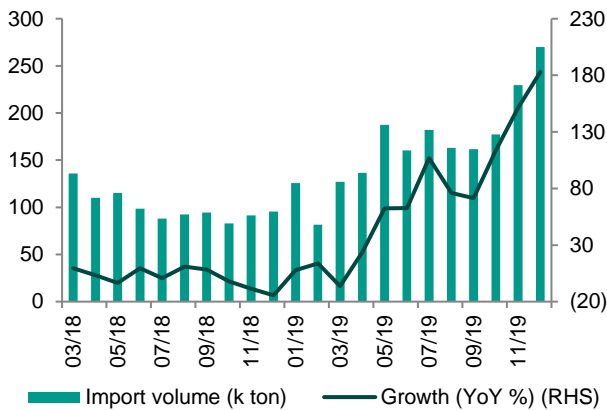
Source(s): NBS, ABCI Securities

Exhibit 7: Number of hogs slaughtered



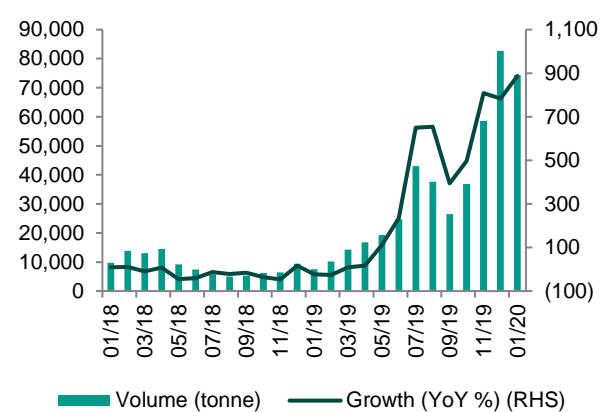
Source(s): NBS, ABCI Securities

Exhibit 8: China frozen pork import



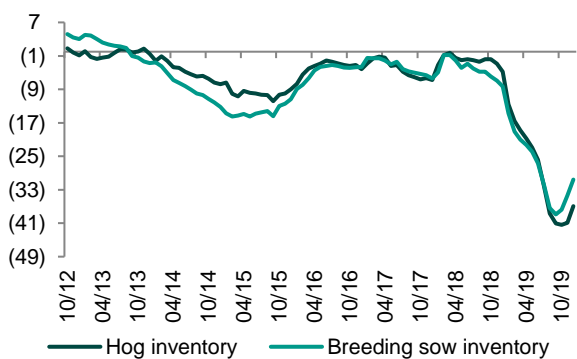
Source(s): China Customs, ABCI Securities

Exhibit 9: Pork exported from US to China



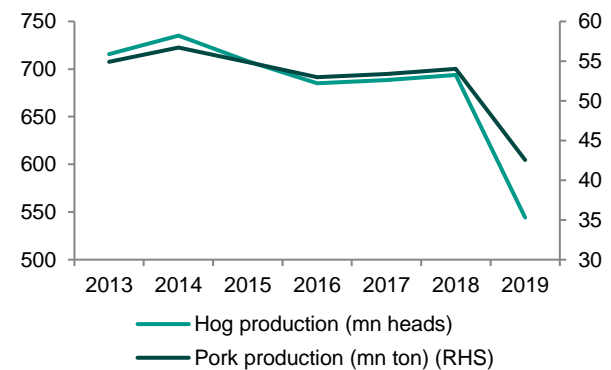
Source(s): USDA, ABCI Securities

Exhibit 10: Hog and breeding sow inventory change (YoY %)



Source(s): MOA, ABCI Securities

Exhibit 11: Annual hog and pork production



Source(s): NBS, ABCI Securities



Exhibit 12: Performance comparison of major indices

Change (%)	HIS Consumer Goods & Services Index	CSI 300 Consumer Staples Index	HSI Index	CSI 300 Index	MSCI China Consumer Staples
YTD	(25.33)	(9.26)	(20.92)	(11.24)	(11.24)
1-mth	(23.47)	(6.43)	(19.03)	(10.38)	(8.41)
3-mth	(24.81)	(7.58)	(20.06)	(9.83)	(10.22)
6-mth	(21.78)	(7.99)	(16.68)	(7.00)	(6.37)
1-yr	(22.89)	18.05	(24.20)	(5.59)	5.86
52-wk high	3,311.72	22,031.96	30,280.12	4,223.51	1,434.85
52-wk low	2,333.69	15,239.39	22,167.42	3,556.26	1,123.43
Closing	2,349.21	18,947.81	22,291.82	3,636.26	1,237.76

Note: Data as of Mar 18, 2020

Source(s): Bloomberg , ABCI Securities estimates

Exhibit 13: TP and price performance of sector top picks

Company	Ticker	Rating	Price	TP	Upside (%)	52-wk high	52-wk low	YTD Δ(%)	Relative performance 1-mth	Relative performance 3-mth	Relative performance 6-mth
WH Group	288 HK	BUY	HK\$ 6.20	HK\$ 9.4	51.61	HK\$ 9.95	HK\$ 6.00	(22.98)	(6.43)	(0.61)	2.28
Mengniu	2319 HK	BUY	HK\$ 25.35	HK\$ 35.0	38.07	HK\$34.6	HK\$24.35	(18.52)	3.76	(0.59)	0.41
Anta	2020 HK	BUY	HK\$ 47.2	HK\$ 80.3	70.13	HK\$79.9	HK\$43.3	(32.33)	(13.88)	(15.42)	(11.67)
Feihe	6186 HK	BUY	HK\$ 11.48	HK\$ 13.74	19.69	HK\$ 13.92	HK\$ 6.26	25.46	24.99	68.40	N/A
Yili	600887 CH	BUY	RMB 27.67	RMB 35.4	27.94	RMB34.66	RMB26.7	(10.57)	2.00	0.70	2.38
Shuanghui	000895 CH	BUY	RMB 34.52	RMB 39.5	14.43	RMB38.36	RMB21.17	18.91	13.21	28.25	48.27

Note: 1) Market data as of Mar 18, 2020;

2) For HK stocks, relative performance is against HSI; for A-share stocks, relative performance is against CSI 300;

3) No revision of TP and ratings since previous report published on Feb 11, 2020

Source(s): Bloomberg , ABCI Securities estimates

Exhibit 14: Valuation metrics of sector top picks

Company	Ticker	FY20E P/E(x)	FY21E P/E (x)	FY20E P/B (x)	FY21E P/B (x)	FY20E Yield(%)	FY21E Yield(%)	FY20E ROAE(%)	FY21E ROAE(%)
WH Group	288 HK	8.96	6.98	1.21	1.05	4.46	5.73	14.27	16.11
Mengniu	2319 HK	22.29	17.05	2.89	2.61	1.33	1.94	13.51	16.04
Anta	2020 HK	13.46	8.71	4.82	3.67	3.14	4.99	39.96	47.86
Feihe	6186 HK	21.82	17.14	5.34	4.07	1.67	2.13	27.86	26.93
Yili	600887 CH	22.87	17.90	4.96	4.34	2.90	3.73	23.44	25.86
Shuanghui	000895 CH	14.83	11.86	7.94	7.44	6.07	7.59	50.00	57.99

Note: 1) Market data as of Mar 18, 2020;

2) No revision of forecasts since previous report published on Feb 11, 2020,

3) US\$/HK\$: 7.7663; RMB/HK\$:1.1021

Source(s): Bloomberg , ABCI Securities estimates



WH Group (288 HK) Financial Statements

Consolidated income statement

FY ends at Dec 31 (US\$ mn, except per share data)	2017A	2018A	2019E	2020E	2021E
Revenue	22,379	22,605	24,081	25,945	28,366
- Packaged meat	11,777	12,147	12,571	13,043	13,656
- Fresh pork	9,526	9,136	10,106	11,320	12,897
- Hog production	572	688	827	966	1,159
- Others	504	634	577	616	654
COGS	(18,061)	(17,907)	(19,207)	(20,464)	(21,912)
Gross profit	4,318	4,698	4,874	5,481	6,454
Distribution and selling expenses	(1,930)	(2,139)	(2,287)	(2,484)	(2,732)
Admin expenses	(823)	(732)	(776)	(833)	(907)
Biological adjustment	318	(339)	(31)	31	(52)
Others	(206)	3	12	18	16
Operating profit	1,677	1,491	1,792	2,214	2,779
- Packaged meat	1,435	1,547	1,618	1,725	1,821
- Fresh pork	547	246	305	372	503
- Hog production	56	(113)	90	120	213
- Others	(177)	(30)	(159)	(4)	242
Net finance cost	(198)	(115)	(198)	(238)	(245)
Share of profits from JV and associates	22	35	43	51	59
Pretax profit	1,501	1,411	1,638	2,027	2,593
Tax	(182)	(258)	(321)	(398)	(509)
Net profit	1,319	1,153	1,317	1,629	2,084
- Profit attributable to shareholders	1,133	922	1,067	1,311	1,683
- Minority interest	186	243	277	343	439
EPS					
- Basic (US cent)	7.54	6.43	7.26	8.91	11.44
- Diluted (US cent)	7.76	6.19	7.10	8.72	11.20
DPS (HK cent)	27.00	20.00	22.54	27.68	35.54

* Excluding measures relating to NP (to owners of the Company), all other profit measures are pre-bio. adj.

Source(s): The Group, ABCI Securities estimates

Consolidated balance sheet

FY ends at Dec 31 (US\$ mn)	2017A	2018A	2019E	2020E	2021E
Cash and cash equivalent	1,371	525	1,915	2,889	4,480
Trade and bills receivable	989	1,135	955	1,132	1,240
Inventory	1,905	2,022	2,943	2,131	3,170
ST Biological assets	990	947	1,592	2,647	2,559
Others	418	838	341	280	549
Total current assets	5,673	5,467	7,745	9,078	11,999
PP&E	5,037	5,300	5,671	6,060	6,457
LT Biological assets	181	147	285	456	432
Goodwill	1,838	1,847	1,847	1,847	1,847
Intangible assets	1,742	1,734	1,592	1,563	1,533
Interest in JV and associates	295	352	377	404	433
Others	492	451	535	497	553
Total non-current assets	9,585	9,831	10,307	10,826	11,254
Total assets	15,258	15,298	18,052	19,904	23,253
Trade and bills payable	1,076	977	1,325	856	1,652
ST borrowings	901	860	1,446	1,630	1,889
Others	1,522	1,491	1,851	1,759	1,794
Total current liabilities	3,499	3,328	4,622	4,246	5,335
LT Borrowings	2,297	2,259	2,670	3,010	3,489
Others	1,240	1,293	1,175	1,615	1,546
Total non-current liabilities	3,537	3,552	3,845	4,625	5,035
Shareholders' equity	7,445	7,746	8,636	9,740	11,151
Minority interest	777	672	949	1,293	1,732
Total equity	8,222	8,418	9,586	11,033	12,883
Total liabilities and equity	15,258	15,298	18,052	19,904	23,253

Source(s): The Group, ABCI Securities estimates



Consolidated cash flow statement

FY ends at Dec 31 (US\$ mn)	2017A	2018A	2019E	2020E	2021E
Pretax profit	1,501	1,411	1,638	2,027	2,593
Depreciation and amortization	389	437	485	526	584
Change in working capital	(321)	(570)	(528)	(993)	(486)
Others	(57)	(23)	(273)	(379)	(454)
Cash flow from operating activities	1,512	1,255	1,321	1,181	2,236
Capex	(563)	(811)	(1,047)	(1,111)	(1,206)
Others	(221)	(406)	613	892	436
Cash flow from investing activities	(784)	(1,217)	(434)	(219)	(770)
Change in borrowings	64	4	996	524	739
Others	(655)	(794)	(488)	(544)	(649)
Cash flow from financing activities	(591)	(790)	508	(19)	90
Net change in cash	137	(752)	1,395	942	1,557
ForEx effect	19	(43)	(21)	(11)	(45)
Cash at the end of FY	1,279	484	1,858	2,789	4,301

Source(s): The Group, ABCI Securities estimates

Key operating and financial ratios

FY ends at Dec 31	2017A	2018A	2019E	2020E	2021E
Growth (YoY %)					
Revenue	3.92	1.01	6.53	7.74	9.33
- Packaged meat	6.35	3.14	3.49	3.76	4.70
- Fresh pork	3.79	(4.09)	10.62	12.01	13.93
- Hog production	(32.23)	20.28	20.23	16.73	20.00
Gross profit	3.40	1.90	5.93	6.87	6.67
Operating profit	4.08	(11.34)	12.40	19.35	25.55
Net profit (to owners of the company)	9.36	(18.64)	15.80	22.81	28.40
Profitability ratios (%)					
GPM	20.61	19.92	20.37	21.01	22.93
OPM	8.32	7.30	7.70	8.53	9.80
- Packaged meat	12.18	12.74	12.87	13.23	13.33
- Fresh pork	5.74	2.69	3.02	3.28	3.90
- Hog production	9.79	(16.42)	10.88	12.45	18.42
EBITDA margin	10.49	9.32	9.72	10.32	12.22
NPM (to owners of the company)	5.06	4.08	4.43	5.05	5.93
Revenue contribution (%)					
Packaged meat	52.63	53.74	52.20	50.27	48.14
Fresh pork	42.57	40.42	41.97	43.63	45.47
Hog production	2.56	3.04	3.44	3.72	4.08
Return ratios (%)					
ROAA	9.14	7.55	7.90	8.58	9.66
ROAE	16.47	12.14	13.03	14.27	16.11
Liquidity ratio (x)					
Current ratio	1.62	1.64	1.68	2.14	2.25
Quick ratio	0.79	0.75	0.69	1.01	1.18
Cash ratio	0.41	0.17	0.43	0.70	0.86
Cash conversion cycle (days)					
Days of outstanding receivable	14	17	16	15	15
Days of inventory on hand	37	40	47	45	44
Days of outstanding payable	19	21	21	20	20
CCC	32	36	42	40	39
Leverage ratios (%)					
Total debt/Equity	42.96	40.27	42.93	42.05	41.75
Total debt/Total assets	20.96	20.39	22.80	23.31	23.13

* Excluding measures relating to NP (to owners of the Company), all other profit measures are pre-bio. adj.

Source(s): The Group, ABCI Securities estimates



Mengniu (2319 HK) Financial Statements

Consolidated income statement

FY ends at Dec 31 (RMB mn, except per share data)	2017A	2018A	2019E	2020E	2021E
Revenue	60,156	68,977	76,602	87,162	99,536
- Liquid milk	53,015	59,389	66,323	74,093	83,575
- Ice cream	2,513	2,723	2,649	2,764	2,883
- Milk formula	4,042	6,017	6,438	8,663	11,272
- Other revenue	585	851	1,193	1,642	1,806
COGS	(38,973)	(43,193)	(47,606)	(53,146)	(60,147)
Gross profit	21,183	25,784	28,996	34,017	39,389
Other income	338	736	2,941	636	712
SG&A	(17,366)	(21,748)	(24,259)	(27,750)	(31,459)
Other expenses	(1,099)	(851)	(1,149)	(1,307)	(1,493)
EBIT	2,972	3,835	6,529	5,595	7,149
Net interest expense(-)/income(+)	184	318	(29)	(151)	(80)
Income from associate/JV	(532)	(300)	(39)	54	61
Profit before tax	2,625	3,853	6,461	5,499	7,130
Tax	(594)	(649)	(1,457)	(1,137)	(1,428)
Total net profit	2,031	3,204	5,003	4,361	5,702
- Profit to shareholders	2,048	3,043	4,995	4,056	5,303
- Minority interest	(17)	161	8	305	399
EPS (RMB)					
- Basic EPS	0.53	0.78	1.27	1.03	1.35
- Diluted EPS	0.53	0.78	1.27	1.03	1.34
DPS	0.12	0.19	0.36	0.31	0.45

Source(s): The Group, ABCI Securities estimates

Consolidated balance sheet

FY ends at Dec 31 (RMB mn)	2017A	2018A	2019E	2020E	2021E
Cash and cash equivalent	5,959	7,298	5,625	6,684	8,578
Trade and bills receivable	2,647	2,892	4,373	3,910	5,568
Inventory	3,510	4,282	5,771	6,213	7,445
Others	13,902	15,269	19,970	21,554	27,884
Total current assets	26,018	29,741	35,738	38,361	49,476
PP&E and CIP	14,079	16,937	17,148	19,156	21,392
Goodwill	4,533	4,681	7,263	7,263	7,263
Other intangible assets	2,194	2,298	2,085	2,252	2,479
Others	11,315	12,799	14,808	16,816	19,773
Total non-current assets	32,121	36,716	41,304	45,487	50,907
Total assets	58,139	66,457	77,042	83,848	100,383
Trade and bills payable	6,342	7,022	7,608	8,608	10,114
ST borrowings	7,935	6,523	6,565	8,635	11,272
Others	8,289	11,565	13,703	13,866	15,912
Total current liabilities	22,566	25,109	27,876	31,109	37,298
LT Borrowings	6,015	8,192	10,058	10,073	10,091
Others	2,450	2,691	5,167	5,880	12,614
Total non-current liabilities	8,465	10,884	15,225	15,953	22,705
Shareholders' equity	22,604	25,212	28,684	31,368	34,747
Minority interest	4,503	5,252	5,256	5,419	5,632
Total equity	27,107	30,464	33,941	36,787	40,380
Total liabilities and equity	58,139	66,457	77,042	83,848	100,383

Source(s): The Group, ABCI Securities estimates



Consolidated cash flow statement

FY ends at Dec 31 (RMB mn)	2017A	2018A	2019E	2020E	2021E
Pretax profit	2,625	3,853	6,461	5,499	7,130
Depreciation and amortization	1,704	1,838	2,535	2,977	3,467
Change in working capital	1,229	1,637	1,623	150	3,073
Others	(52)	(965)	(3,858)	(1,222)	(2,261)
Cash flow from operating activities	5,505	6,363	6,761	7,404	11,409
Capex	(66,501)	(6,460)	(6,246)	(8,261)	(10,071)
Others	55,051	2,229	(9,050)	1,391	(2,328)
Cash flow from investing activities	(11,450)	(4,232)	(15,296)	(6,871)	(12,399)
Change in borrowings	4,479	(300)	1,907	2,085	2,655
Dividends paid	(399)	(526)	(818)	(1,405)	(1,347)
Others	1,668	(74)	5,368	78	1,500
Cash flow from financing activities	5,748	(900)	6,458	758	2,808
Net change in cash	(196)	1,231	(2,077)	1,291	1,818
Forex effect	(31)	10	(57)	(45)	(53)
Cash and cash equivalent - end	3,129	4,370	2,236	3,483	5,247

Source(s): The Group, ABCI Securities estimates

Key operating and financial ratios

FY ends at Dec 31	2017A	2018A	2019E	2020E	2021E
Growth (YoY %)					
Revenue	11.86	14.66	11.05	13.79	14.20
- Liquid milk	10.21	12.02	11.68	11.71	12.80
- Ice cream	15.28	8.37	(2.74)	4.35	4.32
- Milk powder	28.28	48.87	6.98	34.57	30.11
- Other products	69.40	45.30	40.21	37.65	10.00
Gross profit	20.11	21.72	12.46	17.31	15.79
Operating profit	N/A	29.02	70.24	(14.30)	27.76
Net profit (to shareholders of the Company)	N/A	48.60	64.15	(18.80)	30.74
Profitability ratios (%)					
GPM	35.21	37.38	37.85	39.03	39.57
OPM	4.94	5.56	8.52	6.42	7.18
EBITDA margin	6.89	8.23	11.83	9.84	10.66
NPM (to shareholders of the Company)	3.40	4.41	6.52	4.65	5.33
Return ratios (%)					
ROAA	3.82	4.88	6.96	5.04	5.76
ROAE	9.43	12.73	18.54	13.51	16.04
Liquidity ratio (x)					
Current ratio	1.15	1.18	1.28	1.23	1.33
Quick ratio	1.00	1.01	1.08	1.03	1.13
Cash ratio	0.28	0.32	0.23	0.24	0.25
Cash conversion cycle (days)					
Days of outstanding receivable	15.1	14.7	17.3	17.3	17.4
Days of inventory on hand	32.0	32.9	38.5	41.2	41.4
Days of outstanding payable	54.7	55.5	54.4	55.2	55.7
CCC	(7.7)	(7.9)	1.5	3.3	3.2
Leverage ratios (%)					
Total debt/Equity	51.46	48.30	49.38	51.29	53.36
Total debt/Total assets	23.99	22.14	21.58	22.31	21.28
Net debt/Equity	27.76	22.30	30.38	30.63	29.61
Net debt/Assets	12.94	10.22	13.39	13.44	11.91

Note: The Group recorded operating loss and net loss in FY16

Source(s): The Group, ABCI Securities estimates



Anta (2020 HK) Financial Statements

Consolidated income statement

FY ends at Dec 31 (RMB mn, exp. per share data)	2017A	2018A	2019E	2020E	2021E
Revenue	16,692	24,100	34,020	48,473	69,730
- Footwear	7,049	8,631	10,690	13,508	17,304
- Apparel	9,116	14,709	22,274	33,614	50,671
- Accessories	528	759	1,055	1,351	1,755
COGS	(8,451)	(11,413)	(15,911)	(22,372)	(31,920)
Gross profit	8,241	12,687	18,109	26,101	37,810
- Footwear	3,291	4,226	5,304	6,739	8,643
- Apparel	4,743	8,131	12,337	18,775	28,411
- Accessories	208	330	468	586	756
Other net income/(loss)	458	760	1,003	1,479	2,092
S&D expenses	(3,809)	(6,525)	(9,564)	(14,082)	(20,515)
Admin expenses	(901)	(1,223)	(1,695)	(2,494)	(3,519)
Operating profit	3,989	5,700	7,853	11,004	15,868
Net finance income/(expense)	322	68	460	768	863
Pretax profit	4,311	5,767	7,712	11,910	18,388
Tax	(1,152)	(1,533)	(2,043)	(3,168)	(4,883)
Net profit	3,159	4,234	5,669	8,742	13,505
- Owners of the company	3,090	4,103	5,539	8,545	13,197
- Minority interest	69	131	130	198	308
Dividend	2,178	1,842	2,398	3,616	5,742
EPS (RMB cent)					
- Basic	117	153	206	318	492
- Diluted	117	153	206	318	491
DPS (HK cent)	98	78	101	152	242

Source(s): The Group, ABCI Securities estimates

Consolidated balance sheet

FY ends at Dec 31 (RMB mn)	2017A	2018A	2019E	2020E	2021E
Cash and cash equivalent	6,968	9,284	14,910	20,178	23,268
Other ST deposit	2,586	2,470	5,486	6,797	7,575
Trade and other receivables	3,733	4,638	7,245	7,406	12,033
Inventory	2,155	2,892	3,285	5,432	7,527
Others	0	0	0	0	0
Current assets	15,442	19,284	30,926	39,813	50,404
PP&E	1,203	1,787	1,985	2,318	2,938
Construction in progress	706	749	585	831	1,218
Intangible assets	705	685	677	658	641
Others	1,018	1,868	2,180	3,230	4,443
Non-current assets	3,632	5,090	5,427	7,038	9,240
Total assets	19,074	24,374	36,354	46,850	59,644
Trade and other payables	3,978	5,633	7,514	9,559	12,656
ST borrowings	148	1,244	8,233	11,174	12,440
Others	373	671	626	965	1,522
Current liabilities	4,498	7,548	16,373	21,698	26,618
LT debt	0	70	70	70	70
Deferred tax assets	215	236	121	165	276
Total non-current liabilities	215	306	191	235	346
Shareholders' equity	13,706	15,777	18,917	23,846	31,301
Minority interest	654	743	873	1,070	1,379
Total equity	14,361	16,520	19,790	24,917	32,680
Total liabilities and equity	19,074	24,374	36,354	46,850	59,644

Source(s): The Group, ABCI Securities estimates



Consolidated cash flow statement

FY ends at Dec 31 (RMB mn)	2017A	2018A	2019E	2020E	2021E
Pretax profit	4,311	5,767	7,712	11,910	18,388
Depreciation & amortization	250	342	435	486	596
Change in working capital	(381)	(444)	(1,118)	(261)	(3,625)
Others	(999)	(1,226)	(1,917)	(2,912)	(4,401)
Cash flow from operating activities	3,181	4,440	5,111	9,223	10,958
CapEx	(585)	(678)	(704)	(928)	(1,383)
Others	(994)	(523)	(3,317)	(1,655)	(5,473)
Cash flow from investing activities	(1,579)	(1,201)	(4,020)	(2,584)	(6,857)
Bank borrowing	(827)	1,008	6,990	6,771	4,942
Dividend paid	(1,976)	(2,468)	(2,219)	(3,260)	(5,279)
Others	2,801	324	356	392	431
Cash flow from financing activities	(2)	(1,136)	5,127	3,902	94
Net change in cash	1,601	2,102	6,218	10,541	4,195
ForEx effect	(463)	214	(591)	(827)	(275)
Cash at the end of FY	6,968	9,284	14,910	20,178	23,268

Source(s): The Group, ABCI Securities estimates

Key operating and financial ratios

FY ends at Dec 31	2017A	2018A	2019E	2020E	2021E
Growth (YoY %)					
Revenue	25.08	44.38	41.16	42.49	43.85
- Footwear	17.47	22.45	23.85	26.36	28.10
- Apparel	32.39	61.35	51.43	50.91	50.74
- Accessories	14.86	43.95	38.96	28.06	29.89
Gross profit	27.59	53.95	42.73	44.13	44.86
- Footwear	20.84	28.43	25.51	27.06	28.24
- Apparel	35.18	71.45	51.73	52.19	51.32
- Accessories	24.07	58.63	41.69	25.37	28.95
EBIT	24.52	42.90	37.78	40.12	44.20
Net profit (to owners of the company)	29.52	32.79	34.99	54.28	54.44
Profitability ratios (%)					
GPM	49.37	52.64	53.23	53.85	54.22
- Footwear	46.70	49.00	49.62	49.89	49.95
- Apparel	52.00	55.30	55.39	55.86	56.07
- Accessories	39.40	43.50	44.32	43.39	43.08
OPM	23.90	23.65	23.08	22.70	22.76
Pretax	25.82	23.93	22.67	24.57	26.37
NPM (to owners of the company)	18.51	17.02	16.28	17.63	18.93
Revenue contribution (%)					
- Footwear	42.23	35.81	31.42	27.87	24.82
- Apparel	54.61	61.03	65.47	69.34	72.67
- Accessories	3.16	3.15	3.10	2.79	2.52
Return ratios (%)					
ROAA	18.97	19.49	18.67	21.01	25.36
ROAE	26.57	27.83	31.93	39.96	47.86
Liquidity ratio (x)					
Current ratio	3.43	2.55	1.89	1.83	1.89
Quick ratio	2.95	2.17	1.69	1.58	1.61
Cash ratio	2.12	1.56	1.25	1.24	1.16
Cash conversion cycle (days)					
Days of outstanding receivable	41.0	34.8	39.5	40.0	37.6
Days of inventory on hand	74.5	80.7	70.9	71.1	74.1
Days of outstanding payable	46.2	48.7	47.3	46.0	47.0
CCC	69.4	66.9	63.1	65.1	64.6
Leverage ratios (%)					
Total debt/Equity	0.77	7.95	41.60	44.85	38.07
Total debt/Total assets	0.58	5.39	22.84	32.17	33.56
Net cash/Equity	65.76	60.36	58.50	45.49	31.22
Net cash/Total assets	49.51	40.91	31.84	24.19	17.11

Source(s): The Group, ABCI Securities estimates



Feihe (6186 HK) Financial Statements

Consolidated income statement

FY ends at Dec 31 (RMB mn, exp. per share data)	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	3,724	5,887	10,392	13,404	17,340	21,117
COW Milk - IMF	3,181	5,417	9,199	12,089	15,816	18,055
- High-end IMF product series	1,586	3,795	6,658	8,647	11,079	12,263
- Super-premium Astrobaby	711	2,454	5,108	6,621	8,524	9,423
- Super-premium Organic Zhenzhi	0	50	357	609	948	1,127
- Premium product series	875	1,292	1,192	1,417	1,607	1,713
- Regular IMF product series	1,595	1,621	2,542	3,443	4,737	5,792
GOAT Milk - IMF	0	0	0	0	0	1,315
Other dairy products	543	471	550	650	760	853
Other products	0	0	642	665	764	894
Cost of sales	(1,690)	(2,097)	(3,373)	(4,216)	(5,084)	(6,125)
Gross profit	2,034	3,790	7,019	9,188	12,256	14,992
COW Milk - IMF	1,966	3,761	6,684	8,820	11,817	13,614
GOAT Milk - IMF	0	0	0	0	0	853
Other dairy products	68	29	104	122	145	178
Other products	0	0	231	246	294	347
Admin expenses	(231)	(361)	(580)	(875)	(878)	(1,097)
Selling expenses	(1,370)	(2,139)	(3,661)	(3,679)	(4,864)	(5,748)
Net finance costs	(27)	(21)	(59)	(65)	(58)	(51)
Others	0	0	0	1	1	1
Pretax profit	595	1,651	3,189	5,292	7,275	9,243
Tax	(189)	(491)	(946)	(1,540)	(2,096)	(2,650)
Net profit	406	1,160	2,242	3,751	5,180	6,594
- Owners	417	1,160	2,242	3,751	5,180	6,594
- MI	(11)	0	0	0	0	0
Dividend	0	0	0	0	1,554	1,978
EPS (RMB)						
- Basic	0.05	0.14	0.28	0.42	0.58	0.74
- Diluted	0.05	0.14	0.28	0.41	0.57	0.72
DPS (HK\$)	0.00	0.00	0.00	0.00	0.19	0.25

Note: Other products include nutritional supplement and baby & toddler food products

Source(s): The Group, ABCI Securities estimates

Consolidated balance sheet

FY ends at Dec 31 (RMB mn)	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E
Bank balances and cash	1,139	2,771	3,641	9,541	12,304	16,481
Trade and bills receivables	93	175	513	422	791	695
Inventory	294	395	660	684	1,002	1,015
Others	1,489	1,082	2,481	4,424	5,868	8,141
Current assets	3,014	4,423	7,295	15,071	19,966	26,333
PP&E	1,086	1,431	2,555	4,795	5,604	6,349
Land use rights	73	119	306	228	165	119
Investment in an associates	143	143	143	143	143	143
Others	379	899	1,559	1,797	1,876	2,015
Non-current assets	1,681	2,591	4,563	6,963	7,788	8,625
Total assets	4,695	7,014	11,857	22,034	27,754	34,958
Trade and bills payable	360	514	833	909	1,300	1,400
ST borrowings	534	903	1,083	966	801	758
Others	1,145	1,672	2,944	3,006	3,127	3,399
Current liabilities	2,039	3,089	4,860	4,881	5,228	5,556
LT Borrowing	0	64	657	586	486	460
Others	279	275	552	562	856	1,164
Non-current liabilities	279	339	1,210	1,148	1,342	1,624
Shareholders' capital	2,377	3,585	5,787	16,004	21,184	27,777
MI	0	0	0	0	0	0
Total equity	2,377	3,585	5,787	16,004	21,184	27,777
Total liabilities and equity	4,695	7,014	11,857	22,034	27,754	34,958

Source(s): The Group, ABCI Securities estimates



Consolidated cash flow statement

FY ends at Dec 31 (RMB mn)	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E
Profit before tax	595	1,651	3,189	5,292	7,275	9,243
Depreciation and amortization	99	98	162	180	164	145
Change in working capital	(428)	1,174	659	(224)	(264)	342
Others	(137)	(699)	(888)	(572)	(2,340)	(2,850)
Cash flow from operating activities	129	2,224	3,121	4,676	4,836	6,881
PP&E and right-of-use assets	(56)	(406)	(1,083)	(2,164)	(744)	(697)
Structured deposits & time deposits	1,187	(1,145)	(1,857)	(2,400)	(897)	(1,679)
Others	(184)	(128)	(332)	(495)	(206)	(321)
Cash flow from investing activities	947	(1,680)	(3,272)	(5,059)	(1,848)	(2,697)
Change in borrowing	(472)	465	752	(188)	(266)	(69)
Placement of pledged bank deposits	77	(243)	(1,200)	(12)	(84)	(88)
Others	0	0	(61)	6,214	(49)	(45)
Cash flow from financing activities	(395)	222	(509)	6,014	(399)	(201)
Net change in cash	681	766	(660)	5,632	2,589	3,982
Cash and cash equivalent - beg	134	817	1,566	896	6,520	9,098
ForEx Impact	2	1	(9)	(7)	(11)	(33)
Cash and cash equivalent - end	817	1,584	896	6,520	9,098	13,047

Source(s): The Group, ABCI Securities estimates

Key operating and financial ratios

FY ends at Dec 31	FY16A	FY17A	FY18A	FY19E	FY20E	FY21E
Growth (YoY %)						
Revenue	N/A	58.1	76.5	29.0	29.4	21.8
Cow - IMF	N/A	70.3	69.8	31.4	30.8	14.2
Other dairy products	N/A	(13.4)	16.9	18.2	16.8	12.2
Other products	N/A	N/A	N/A	3.5	15.0	17.0
Gross profit	N/A	86.4	85.2	30.9	33.4	22.3
Pretax profit	N/A	177.5	93.1	66.0	37.5	27.0
Net profit (to shareholders of the Company)	N/A	178.2	93.3	67.3	38.1	27.3
Profitability ratios (%)						
GPM	54.6	64.4	67.5	68.5	70.7	71.0
Cow - IMF	61.8	69.4	72.7	73.0	74.7	75.4
Goat - IMF	N/A	N/A	N/A	N/A	N/A	64.8
Other dairy products	12.5	6.2	18.9	18.8	19.0	20.8
Other products	N/A	N/A	35.9	37.0	38.5	38.8
Pretax margin	16.0	28.0	30.7	39.5	42.0	43.8
NPM (to shareholders of the Company)	11.2	19.7	21.6	28.0	29.9	31.2
Return ratios (%)						
ROAA	N/A	19.8	23.8	22.1	20.8	21.0
ROAE	N/A	38.9	47.8	34.4	27.9	26.9
Liquidity ratio (x)						
Current ratio	1.5	1.4	1.5	3.1	3.8	4.7
Quick ratio	1.3	1.3	1.4	2.9	3.6	4.6
Cash ratio	0.6	0.9	0.9	2.1	2.6	3.3
Working capital turnover (days)						
Receivable turnover	6.5	8.3	12.1	12.7	12.8	12.8
Inventory turnover	71.9	59.9	57.1	58.2	60.5	60.1
Payable turnover	68.6	76.1	72.9	75.4	79.3	80.4
Cash conversion cycle	9.8	(7.9)	(3.8)	(4.5)	(6.0)	(7.5)
Leverage ratios (%)						
Total debt to Equity	22.5	27.0	30.1	9.7	6.1	4.4
Total debt to Total assets	11.4	13.8	14.7	7.0	4.6	3.5
Net debt to Equity	(35.2)	(68.1)	(65.4)	(68.4)	(70.9)	(77.8)
Net debt to Total assets	(17.8)	(34.8)	(31.9)	(49.6)	(54.1)	(61.9)

Note: 1) Other products include nutritional supplement and baby & toddler food products

Source(s): The Group, ABCI Securities estimates



Yili (600887 CH) Financial Statements

Consolidated income statement

FY ends at Dec 31 (RMB mn, exp. per share data)	2017A	2018A	2019E	2020E	2021E
Revenue	68,058	79,553	89,721	102,481	117,308
- Core revenue	66,801	78,721	88,779	100,663	115,433
- Liquid milk	55,766	65,679	74,108	83,157	94,869
- Chilled product	4,606	4,997	5,603	6,240	7,135
- Milk formula	6,428	8,045	9,069	11,266	13,429
- Non-core revenue	747	256	429	1,080	1,279
- Interest income	511	577	512	738	595
COGS	(42,363)	(49,106)	(54,886)	(63,809)	(71,296)
Gross profit	25,696	30,447	34,834	38,672	46,011
- Core gross profit	25,063	29,785	34,251	37,755	45,204
- Liquid milk	19,611	23,126	27,033	28,829	34,573
- Chilled product	1,984	2,252	2,735	3,028	3,607
- Milk formula	3,468	4,406	4,484	5,898	7,023
- Non-core gross profit	122	86	71	180	212
- Gross profit on interest income	511	577	512	738	595
Business tax and levies	(512)	(531)	(620)	0	0
S&D expenses	(15,522)	(19,773)	(22,366)	(25,955)	(30,377)
Admin expenses	(3,108)	(2,980)	(3,330)	(4,360)	(4,920)
R&D expenses	(209)	(427)	(506)	(501)	(585)
Operating profit	6,345	6,737	8,012	7,856	10,129
Finance costs	(113)	60	12	21	11
Others	842	780	806	821	952
Pretax profit	7,074	7,578	8,830	8,698	11,092
Tax	(1,071)	(1,126)	(1,354)	(1,310)	(1,656)
Net profit	6,003	6,452	7,476	7,387	9,435
- Profit attributable to shareholders	6,001	6,440	7,467	7,378	9,423
- Minority interest	2	12	10	9	12
Cash dividend	3,792	4,110	4,763	4,896	6,301
EPS (RMB)					
- Basic	0.99	1.06	1.22	1.21	1.55
- Diluted	0.99	1.06	1.22	1.21	1.55
Cash DPS (RMB)	0.62	0.68	0.78	0.80	1.03

Source(s): The Group, ABCI Securities estimates



Consolidated balance sheet

FY ends at Dec 31 (RMB mn)	2017A	2018A	2019E	2020E	2021E
Cash and cash equivalent	21,823	11,051	18,223	21,652	8,883
Trade and bills receivable	950	1,282	1,351	1,689	1,998
Inventory	4,640	5,507	7,349	7,259	8,740
Others	2,433	6,615	2,519	2,662	3,312
Total current assets	29,846	24,455	29,442	33,262	22,933
PP&E	13,256	14,688	17,218	18,874	20,069
Goodwill	11	11	11	11	11
AFS investment	652	831	914	1,006	1,106
LT equity investment	1,765	1,909	2,218	2,586	2,922
Others	3,771	5,712	6,332	8,138	11,095
Total non-current assets	19,455	23,151	26,693	30,614	35,203
Total assets	49,300	47,606	56,135	63,876	58,136
Trade and bills payable	7,469	9,116	10,965	566	829
ST borrowings	7,860	1,523	1,941	2,045	1,954
Others	8,521	8,532	12,794	25,324	14,437
Total current liabilities	23,850	19,171	25,700	27,934	17,220
LT Borrowings	0	0	8	8	8
Others	210	398	1,242	1,671	1,694
Total non-current liabilities	211	398	1,250	1,678	1,702
Shareholders' equity	25,103	27,916	28,951	33,989	38,900
Minority interest	136	122	234	275	314
Total equity	25,240	28,037	29,185	34,263	39,214
Total liabilities and equity	49,300	47,606	56,135	63,876	58,136

Source(s): The Group, ABCI Securities estimates

Consolidated cash flow statement

FY ends at Dec 31 (RMB mn)	2017A	2018A	2019E	2020E	2021E
Net profit	6,003	6,452	7,476	7,387	9,435
Depreciation and amortization	1,495	1,684	1,926	2,176	2,432
Change in working capital	(613)	530	1,159	2,479	(688)
Others	121	(42)	134	221	79
Cash flow from operating activities	7,006	8,625	10,696	12,263	11,258
Change in PP&E, intangible assets, and other non-current assets	(3,279)	(5,043)	(7,292)	(9,523)	(13,647)
Others	162	(331)	(90)	(187)	(127)
Cash flow from investing activities	(3,117)	(5,374)	(7,382)	(9,709)	(13,775)
Change in borrowings	7,710	(6,337)	425	104	(90)
Cash flow related to dividend payment, interest payment, or profit distribution	(3,845)	(4,393)	(4,431)	(4,499)	(5,412)
Others	188	(19)	0	(0)	0
Cash flow from financing activities	4,053	(10,749)	(4,006)	(4,395)	(5,503)
Net change in cash	7,942	(7,498)	(692)	(1,841)	(8,019)
ForEx effect	(398)	307	33	44	(3)
Cash and cash equivalent - end	20,756	13,565	12,905	11,109	3,086

Source(s): The Group, ABCI Securities estimates



Key operating and financial ratios

FY ends at Dec 31	2017A	2018A	2019E	2020E	2021E
Growth (YoY %)					
Revenue	12.29	16.89	12.78	14.22	14.47
Core revenue	12.06	17.84	12.78	13.39	14.67
- Liquid milk	12.61	17.78	12.83	12.21	14.08
- Chilled products	9.82	8.49	12.12	11.37	14.35
- Milk formula	17.83	25.14	12.74	24.22	19.20
Non-core revenue	6.92	(65.74)	67.65	151.83	18.39
Gross profit	10.84	18.49	14.41	11.02	18.98
Core gross profit	9.87	18.84	15.00	10.23	19.73
- Liquid milk	10.12	17.93	16.89	6.64	19.93
- Chilled products	9.89	13.48	21.44	10.72	19.14
- Milk formula	13.17	27.05	1.75	31.55	19.07
Non-core gross profit	69.56	(29.64)	(17.23)	153.57	17.99
Operating profit	22.24	6.18	18.92	(1.94)	28.93
EBITDA	14.50	7.15	18.01	0.83	25.56
Pretax Profit	6.66	7.12	16.53	(1.50)	27.53
Net profit (to owners of the Company)	5.99	7.31	15.95	(1.19)	27.73
Profitability ratios (%)					
GPM	37.76	38.27	38.83	37.74	39.22
Core-GPM	37.52	37.84	38.58	37.51	39.16
- Liquid milk	35.17	35.21	36.48	34.67	36.44
- Chilled products	43.08	45.06	48.81	48.52	50.56
- Milk formula	53.95	54.78	49.44	52.35	52.30
Non-core GPM	16.30	33.49	16.53	16.65	16.59
OPM	9.32	8.47	8.93	7.67	8.63
EBITDA margin	11.44	10.49	10.98	9.69	10.63
Pretax margin	10.39	9.53	9.84	8.49	9.46
NPM (to owners of the Group)	8.82	8.09	8.32	7.20	8.03
Revenue contribution (%)					
Core revenue/ total revenue	98.15	98.95	98.95	98.23	98.40
Non-core revenue/ total revenue	1.10	0.32	0.48	1.05	1.09
Interest income/ total revenue	0.75	0.73	0.57	0.72	0.51
Core revenue composition					
- Liquid milk	83.48	83.43	83.47	82.61	82.19
- Chilled products	6.90	6.35	6.31	6.20	6.18
- Milk formula	9.62	10.22	10.22	11.19	11.63
Return ratios (%)					
ROAA	13.56	13.29	14.39	12.30	15.45
ROAE	24.91	24.29	26.26	23.44	25.86
Liquidity ratio (x)					
Current ratio	1.25	1.28	1.15	1.19	1.33
Quick ratio	1.06	0.99	0.86	0.93	0.82
Cash ratio	0.92	0.58	0.71	0.78	0.52
Cash conversion cycle (days)					
Days of outstanding receivable	3.6	4.3	4.6	4.6	4.9
Days of inventory on hand	39.2	37.8	43.0	42.4	41.6
Days of outstanding payable	60.8	59.0	61.6	63.3	62.3
CCC	(17.9)	(16.8)	(14.0)	(16.3)	(15.8)
Leverage ratios (%)					
Total debt/Equity	31.14	5.43	6.68	5.99	5.00
Total debt/Total assets	15.94	3.20	3.47	3.21	3.37

Source(s): The Group, ABCI Securities estimates



Shuanghui (000895 CH) Financial Statements

Consolidated income statement

FY ends at Dec31 (RMB mn, exp. per share data)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	50,578	48,932	57,724	69,261	82,361
Core revenue	50,447	48,767	57,666	69,192	82,279
- Packaged meat product	22,659	23,211	25,230	27,379	29,761
- Fresh meat	30,407	28,917	35,833	45,302	56,778
- Others	2,316	2,576	2,922	3,334	3,854
- Intersegment elimination	(4,935)	(5,937)	(6,318)	(6,823)	(8,114)
Interest income	131	164	58	69	82
Commission and processing income	0	0	0	0	0
COGS	(40,907)	(38,324)	(45,018)	(53,450)	(63,009)
GP	9,658	10,585	12,699	15,803	19,343
Core GP	9,540	10,444	12,648	15,742	19,270
- Packaged meat product	6,912	7,031	7,617	8,241	8,860
- Fresh meat	2,147	2,878	4,437	6,785	9,579
- Others	476	555	598	723	846
- Intersegment elimination	5	(20)	(5)	(7)	(14)
GP of interest income	119	142	52	62	74
GP of Commission and processing income	(1)	(1)	(1)	(1)	(1)
Business levy and taxes	(346)	(343)	(405)	(486)	(578)
S&D expenses	(2,402)	(2,632)	(3,068)	(3,735)	(4,486)
Admin expenses	(1,070)	(1,129)	(1,334)	(1,606)	(1,931)
Others	(254)	(342)	(609)	(652)	(880)
Operating profit	5,528	6,065	7,283	9,323	11,467
- Packaged meat product	4,695	4,747	5,087	5,526	6,001
- Fresh meat	617	1,049	2,289	2,911	3,685
- Others	211	289	263	303	367
Net finance income/(costs)	(55)	(55)	(58)	(52)	(42)
Others	(45)	(323)	(85)	(87)	(102)
Pretax profit	5,759	6,332	7,750	9,836	12,204
Tax	(1,249)	(1,255)	(1,498)	(1,863)	(2,240)
Net profit	4,511	5,076	6,251	7,974	9,964
- Owners of the company	4,319	4,915	6,018	7,683	9,601
- Minority interest	191	162	233	291	364
Dividend	3,630	4,784	5,416	6,914	8,641
EPS (RMB)					
- Basic	1.3091	1.4894	1.8239	2.3284	2.9097
- Diluted	1.3091	1.4894	1.8239	2.3284	2.9097
DPS (RMB)	1.10	1.45	1.64	2.10	2.62

Source(s): The Group, ABCI Securities estimates



Consolidated balance sheet

FY ends at Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Cash and cash equivalent	6,163	2,618	1,612	4,469	5,347
Trade and bills receivable	161	162	228	233	322
Inventories	2,928	4,228	9,036	7,796	11,588
Others	764	2,753	1,661	1,593	1,438
Current assets	10,017	9,761	12,536	14,091	18,694
PP&E	11,500	11,098	10,742	10,237	9,725
Construction in progress	154	112	101	91	83
Biological assets	69	66	68	67	66
Intangible assets	1,005	942	967	995	1,024
Others	345	369	400	445	477
Non-current assets	13,073	12,587	12,279	11,835	11,375
Total assets	23,089	22,348	24,815	25,926	30,069
Trade and bills payable	1,848	1,928	3,270	2,099	4,662
ST borrowings	1,942	2,323	3,368	3,274	3,431
Others	3,616	3,880	3,139	4,445	4,530
Current liabilities	7,407	8,131	9,777	9,817	12,623
LT borrowings	5	5	17	13	12
Deferred tax liabilities	67	73	92	107	118
Others	142	139	73	72	72
Non-current liabilities	215	218	182	191	202
Shareholders' equity	14,617	12,974	13,576	14,344	15,304
Minority interest	850	1,025	1,258	1,549	1,913
Total equity	15,467	13,999	14,834	15,894	17,217
Total liabilities and equity	23,089	22,348	24,794	25,902	30,043

Source(s): The Group, ABCI Securities estimates

Consolidated cash flow statement

FY ends at Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Net profit	4,511	5,076	6,251	7,974	9,964
Depreciation and amortization	957	976	1,008	1,035	1,055
Change in working capital	(83)	(1,409)	(3,548)	109	(1,345)
Others	265	552	448	753	717
Cash flow from operating activities	5,650	5,195	4,160	9,870	10,391
PP&E	(447)	(449)	(756)	(623)	(638)
Investments	49	(1,801)	3,013	4,219	3,192
Others	(3)	0	0	0	0
Cash flow from investing activities	(402)	(2,251)	2,257	3,595	2,554
Bank borrowing	1,727	379	1,058	(99)	156
Others	(4,207)	(6,736)	(5,103)	(5,760)	(7,352)
Cash flow from financing activities	(2,481)	(6,357)	(4,046)	(5,859)	(7,195)
Net change in cash and cash equivalent	2,768	(3,413)	(714)	2,883	898
ForEx effect	(0)	1	4	12	15
Cash and cash equivalent at the end of FY	5,744	2,332	1,622	4,517	5,429

Source(s): The Group, ABCI Securities estimates



Key operating and financial ratios

FY ends at Dec 31	FY17A	FY18A	FY19E	FY20E	FY21E
Growth (YoY %)					
Revenue	(2.44)	(3.26)	17.97	19.99	18.91
Core revenue	(2.65)	(3.33)	18.25	19.99	18.91
- Packaged meat products	0.36	2.44	8.70	8.52	8.70
- Fresh meat	(4.11)	(4.90)	23.92	26.43	25.33
- Others	5.25	11.23	13.40	14.10	15.60
Gross profit	2.71	9.60	19.96	24.45	22.40
Core GP	1.68	9.47	21.10	24.46	22.41
- Packaged meat products	(1.92)	1.72	8.35	8.19	7.51
- Fresh meat	23.56	34.07	54.18	52.91	41.18
- Others	(20.58)	16.62	7.75	20.81	16.95
EBIT	3.00	10.82	23.17	26.39	23.78
EBITDA	1.60	8.53	17.71	24.92	20.95
Pretax Profit	(1.75)	9.94	22.40	26.92	24.07
Net profit (to owners of the company)	(1.95)	13.78	22.45	27.66	24.97
Profitability ratios (%)					
GPM	19.10	21.63	22.00	22.82	23.49
Core GPM	18.91	21.42	21.93	22.75	23.42
- Packaged meat products	30.50	30.29	30.19	30.10	29.77
- Fresh meat	7.06	9.95	12.38	14.98	16.87
- Others	20.56	21.56	20.48	21.69	21.94
OPM	10.93	12.40	12.62	13.46	13.92
EBITDA margin	12.79	14.35	14.32	14.90	15.16
Pretax margin	11.39	12.94	13.43	14.20	14.82
NPM (to owners of the company)	8.54	10.04	10.43	11.09	11.66
Core revenue contribution (%)					
Packaged meat product	44.92	47.60	43.75	39.57	36.17
Fresh meat	60.27	59.30	62.14	65.47	69.01
Others	4.59	5.28	5.07	4.82	4.68
Return ratios (%)					
ROAA	19.12	21.63	25.52	30.28	34.29
ROAE	28.29	33.36	41.74	50.00	57.99
Liquidity ratio (x)					
Current ratio	1.35	1.20	1.28	1.44	1.48
Quick ratio	0.96	0.68	0.36	0.64	0.56
Cash ratio	0.83	0.32	0.16	0.46	0.42
Cash conversion cycle (days)					
Days of outstanding receivable	1	1	1	1	1
Days of inventory on hand	27	34	54	57	56
Days of outstanding payable	19	17	19	19	18
CCC	10	18	36	40	39
Leverage ratios (%)					
Total debt/Total equity	12.59	16.63	22.82	20.68	20.00
Total debt/Total assets	8.44	10.42	13.64	12.68	11.45
Net cash (debt) /Total equity	27.25	2.07	11.95	7.44	11.06
Net cash (debt) /Total assets	18.26	1.30	7.14	4.56	6.33

Source(s): The Group, ABCI Securities estimates



Disclosures

Analyst Certification

I, Pan Hongxing, Paul, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

Disclosures of Interests

ABCI Securities Company Limited and/or its affiliates, within the past 12 months, have investment banking relationship with one or more of the companies mentioned in the report.

Definition of equity rating

Rating	Definition
Buy	Stock return rate \geq Market return rate (10%)
Hold	- Market return rate (-10%) \leq Stock return rate < Market return rate (+10%)
Sell	Stock return < - Market return (-10%)

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months
Market return rate: average market return rate since 2008 (HSI total return index 2008-19 CAGR at 10%) .

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, groups or affiliates of ABCI Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2020 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

Office address: ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

Tel: (852) 2868 2183