



Key Data

Share price (HK\$)	12.28
52Wk H/L(HK\$)	14.28 / 6.81
Issued shares (mn)	938.2
Market cap (HK\$mn)	12,320
30-day avg vol (HK\$mn)	33.3
Major shareholder (%): Li Chao Wang(Chairman)	30.39

Source: Company, Bloomberg, ABCI Securities

Revenue composition in 1HFY12 (%)

Toilet roll	61.2
Softpack	15.4
Handkerchief tissue	10.6
Box issue	4.7
Paper napkin	3.2
Others	4.9

Source: Company

Share performance (%)

	Absolute	Relative*
1-mth	(3.9)	(2.7)
3-mth	(4.8)	(9.6)
6-mth	17.2	28.2

Source: Bloomberg

*Relative to Hang Seng Index

1 year price performance



Source: Bloomberg

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Vinda (3331 HK) – Unrated

Personal Products Industry

Key takeaways from analyst meeting

Vinda reported strong sales and net profit growth in 1H interim results. Its gross profit margin and operating profit margin have improved due to drop of pulp price and improving product mix. The group has aggressive capacity expansion plan in next several years.

Strong Sales and net profit growth: Its sales increased by 31.6% YoY to HK\$2,887mn, 4.6% higher than consensus. The strong sales growth was mainly driven by 82.2% YoY sales growth of softpack. Its 1HFY12 net profit increased by 35.1% YoY to HK\$258mn, or 16.5% below consensus due to higher interest expense and a higher tax rate (26.4% in 1HFY12 vs 24.2% in 1H11). Gross profit margin expanded by 3.6ppt to 31.3% (vs 27.7% in 1HFY11) due to drop of pulp cost (pulp cost/sales dropped 6.0ppt in 1H) and improving product mix of high margin products. Operating profit margin improved by 1.9ppt to 13.2% in 1H.

2H FY12 outlook: The group ran a total production capacity of 470,000tons with 100% utilization rate in 1H FY12. It will add production capacity of 150,000tons and 170,000tons in 2012 and 2013 respectively. The management targets the total production capacity to 1mn tons in 2015. The management expects the pulp price to maintain stable in 2H FY12 and next year due to weak demand for wood pulp and new wood pulp production capacity coming in next year. The group plans to develop its diapers and sanitary napkins business in phases. As these two businesses are on the early investment stage, the contribution to the group is limited.

Valuation: The stock is trading at 20x PER for FY12. As 1H FY12 result is below expectation, market is likely to revise down its earnings estimate. Moreover, the strong sales growth has priced in as the stock surged 23.2% YTD.

Risk: Slower-than-expected sales growth in 2H; Intensified competition and promotion.

Forecast and Valuation

FY ended Dec 31	FY10A	FY11A	FY12E	FY13E	FY14E
Turnover (HK\$ mn)	3,602	4,765	6,052	7,821	9,970
Chg(%YoY)	29.8	32.3	27.0	29.2	27.5
Net Income (HK\$ mn)	369	406	614	830	1,008
Chg(%YoY)	(7.3)	10.0	51.3	35.2	21.4
EPS (HK\$)	0.40	0.43	0.61	0.82	0.95
EPS Chg (%)	(8.2)	7.2	40.9	34.4	15.4
NBV(HK\$)	2.87	3.35	4.01	4.68	5.49
DPS(HK\$)	0.12	0.12	0.18	0.22	0.28
PE (x)	-	28.4	20.1	15.0	13.0
PB (x)	-	3.7	3.1	2.6	2.2
Dividend yield(%)	-	1.0	1.5	1.8	2.3
ROAA(%)	8.6	7.1	9.6	10.2	11.3
ROAE(%)	15.5	13.9	18.6	19.9	21.2

Source: Company, Bloomberg, ABCI Securities estimates



Exhibit1: 1H FY12 results review

(HK\$ mn)	1H11	1H12	YoY growth	HoH growth	Comments
Turnover	2,195	2,887	31.6%	12.3%	The strong sales growth was driven by 82.2% YoY sales growth in softpack and 31.6% YoY sales growth in toilet roll
Cost of sales	(1,587)	(1,984)	25.0%	5.5%	
Gross profit	607	903	48.7%	31.0%	
Selling and marketing costs	(254)	(359)	41.1%	11.9%	
Administrative expenses	(115)	(163)	41.7%	32.2%	
Other income and gains — net	10	0	-	-	
Operating profit	248	381	53.8%	48.0%	Operating profit grew faster than sales growth due to improving gross profit margin
Finance costs, net	5	(28)	-	-	
Share of post-tax loss of an associate	(1)	(3)	-	-	
Profit before income tax	252	351	39.1%	30.0%	
Taxation	(61)	(93)	51.9%	68.1%	
Profit attributable to shareholders	191	258	35.1%	20.2%	
Gross profit margin	27.7%	31.3%	3.6%	4.5%	Improved by raw material cost decline
Operating profit margin	11.3%	13.2%	1.9%	3.2%	
Net profit margin	8.7%	8.9%	0.2%	0.6%	
SG&A/sales	16.8%	18.1%	1.2%	0.8%	
Effective tax rate	24.2%	26.4%	2.2%	6.0%	

Source: Bloomberg, ABCI Securities estimates



Disclosures

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