

Shuanghui (000895 CH)

Growth to resume in FY23E

- We expect revenue to gain 7.2% YoY in FY23E, mainly supported by the 14.4% YoY revenue growth of the packaged meat segment
- Margin profile would improve on the relatively low pork price and product mix adjustment
- Maintain **BUY**; TP implies 17.95x/16.58x 23E/24E P/E, or 4.56x/4.11x 23E/24E P/B

Packaged meat segment to support growth resumption in FY23E. In FY22, total revenue declined 6.1% YoY; revenue of packaged meat and fresh meat segments dropped 0.6% YoY and 14.4% YoY, mainly due to pandemic restrictions and the decline of pork price during the year. We expect the downward pressure on pork price in 2023 would be partly offset by the recovering economy and consumer market. FY23E overall revenue would increase by 7.2% YoY; revenue of packaged meat segment and fresh meat segment would grow 14.4% YoY and 1.4% YoY. FY22-25E revenue CAGR is projected at 7.3%.

Margin profile has room for improvement. In FY22, GPM, OPM, and NPM (to shareholders of the Company) reached 16.5%, 11.1%, and 9.0% vs. 15.5%, 9.0%, and 7.3% in FY21. GPM and OPM of packaged meat segment GPM and OPM increased to 30.2% and 22.7% in FY22, while fresh meat segment entailed stable GPM/OPM of 5.1%/ 2.4%. We believe overall margin profile would improve as pork price is likely to remain low in the coming year and rebalancing product portfolio should support better pricing. We expect GPM, OPM, and NPM (to shareholders of the Company) to reach 16.9%, 11.4%, and 9.2% in FY23E.

Maintain BUY; TP at RMB 32.0. Basic EPS is projected to grow 9.9% YoY on the recovery of resumed revenue momentum and better margin profile. FY22-25E EPS CAGR is expected to be 11.6%. We raise our DCF-derived TP (WACC: 12.1%; LT growth rate: 3.5%) on higher revenue and profit projections for FY24E and roll-over of our forecast period. Current TP represents 17.95x/16.58x 23E/24E P/E, or 4.56x/4.11x 23E/24E P/B.

Risk factors: 1) Macroeconomic risk; 2) Fluctuating raw material costs; 3) Regulatory/policy risk; 4) Product quality/safety risk; 5) Risk of changing consumer tastes; 6) Fluctuations in EPS and DPS growth.

Results and Valuation

FY ended Dec 31	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	66,798	62,731	67,251	72,340	77,518
Chg (% YoY)	(9.7)	(6.1)	7.2	7.6	7.2
Net Profit (to shareholders of the Company) (RMB mn)	4,866	5,621	6,175	6,687	7,852
Chg (% YoY)	(22.2)	15.5	9.9	8.3	17.4
Basic EPS (RMB)	1.40	1.62	1.78	1.93	2.27
Chg (% YoY)	(24.7)	15.5	9.9	8.3	17.4
P/E (x)	18.59	16.09	14.65	13.53	11.52
BVPS (RMB)	6.6	6.3	7.0	7.8	8.7
P/B (x)	3.97	4.14	3.72	3.35	3.00
DPS (RMB)	1.30	1.00	1.07	1.16	1.36
Yield (%)	5.0	3.8	4.1	4.4	5.2
ROAA (%)	14.2	16.3	17.3	17.8	19.4
ROAE (%)	20.9	25.2	26.7	26.1	27.5

Source(s): The Group, ABCI Securities estimates

Company Report

Apr 6, 2023

Rating: **BUY**

TP: RMB 32.0

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Share price (RMB)	26.11
52Wk H/L (RMB)	32.59/22.65
Est. share price return	22.6%
Est. dividend yield	4.1%
Est. total return	26.7%
Previous rating & TP	BUY; RMB 30.7
Previous report date	Nov 7, 2022

Source(s): Bloomberg, ABCI Securities estimates

Key Data

Issued shares (bn)	3.46
Mkt cap (RMB bn)	90.46
3-mth ADT (RMB mn)	282.7

Shareholding (%)	
Rotary Vortex	70.33
HK Securities Clearing Co	3.29

Source(s): Bloomberg, The Group, ABCI Securities

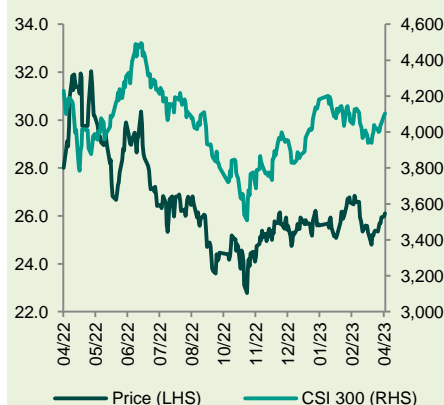
Price Performance (%)

	Absolute	Relative*
1-mth	(1.77)	(1.10)
3-mth	1.79	(3.61)
6-mth	7.05	(3.22)

* Relative to CSI 300

Source(s): Bloomberg, ABCI Securities

1-Year price performance (RMB)



Source(s): Bloomberg, ABCI Securities

Note: All pricing and market data as of Apr 4, 2023



Exhibit 1: Change in assumptions, projections, and valuations

FY ends at Dec 31	Current report		Previous report		Rationale
	FY23E	FY24E	FY23E	FY24E	
Assumptions					
D/E (%)	11.2	4.6	35.2	14.8	Adjusted based on FY22 figures
D/A (%)	7.7	3.2	19.8	9.4	
Tax rate (%)	20.1	20.1	20.2	20.3	
Valuations					
TP (RMB)	32.0		30.7		Higher TP due to higher revenue and profit projections and rollover of forecast period
P/E (x)	17.95	16.58	17.45	16.86	
P/B (x)	4.56	4.11	4.89	4.65	

Note: Previous report was published on Mar 23, 2022

Source(s): ABCI Securities estimates

Exhibit 2: Changes in major forecasts

FY ends at Dec 31	Current report			Previous report			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue (RMB mn)	67,251	72,340	77,518	67,138	71,973	N/A	0.2	0.5	N/A
Net profit (to shareholders of the Company) (RMB mn)	6,175	6,687	7,852	6,097	6,290	N/A	1.3	6.3	N/A
EPS (RMB)	1.78	1.93	2.27	1.76	1.82	N/A	1.3	6.0	N/A

Source(s): ABCI Securities estimates



Financial statements

Consolidated income statement

FY ends at Dec31 (RMB mn, except per share data)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	66,798	62,731	67,251	72,340	77,518
Core revenue	66,682	62,576	67,100	72,178	77,344
- Packaged meat products	27,351	27,189	31,106	32,762	36,931
- Fresh meat products	39,073	33,464	33,919	36,756	40,866
- Other products	6,307	7,282	7,884	8,592	9,451
- Intersegment elimination	(6,049)	(5,358)	(5,808)	(5,932)	(9,904)
Interest income	115	155	151	162	174
Commission and processing income	0	0	0	0	0
COGS	(56,469)	(52,349)	(55,874)	(60,000)	(63,443)
GP	10,329	10,382	11,377	12,340	14,075
Core GP	10,237	10,256	11,259	12,212	13,936
- Packaged pork product	7,827	8,273	9,442	10,087	11,501
- Fresh pork	1,979	1,714	1,583	1,866	2,110
- Other products	430	269	233	259	325
- Intersegment elimination	0	0	0	0	0
GP of interest income	92	126	118	128	139
GP of Commission and processing income	(1)	(1)	(1)	(1)	(1)
Business levy and taxes	(307)	(342)	(309)	(333)	(357)
S&D expenses	(1,874)	(1,927)	(2,140)	(2,325)	(2,451)
Admin expenses	(1,082)	(1,134)	(1,298)	(1,396)	(1,496)
Others expenses	(1,035)	(8)	65	(213)	(529)
Operating profit	6,032	6,970	7,695	8,073	9,242
- Packaged pork product	5,807	6,182	7,043	7,413	8,389
- Fresh pork	93	793	691	736	940
- Other products	132	(5)	(38)	(77)	(86)
- Intersegment elimination	0	0	0	0	0
Net finance income/(costs)	11	61	9	9	10
Others gain/(losses)	174	129	129	385	716
Pretax profit	6,216	7,160	7,833	8,468	9,968
Tax	(1,332)	(1,443)	(1,577)	(1,706)	(2,008)
Net profit	4,884	5,717	6,256	6,762	7,960
- Owners of the company	4,866	5,621	6,175	6,687	7,852
- Minority interest	18	96	80	75	152
Dividend	4,497	3,465	3,705	4,012	4,711
EPS (RMB)					
- Basic	1.40	1.62	1.78	1.93	2.27
- Diluted	1.40	1.62	1.78	1.93	2.27
DPS (RMB)	1.30	1.00	1.07	1.16	1.36

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates



Consolidated balance sheet

FY ends at Dec 31 (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash and cash equivalent	7,839	5,769	3,911	6,929	6,221
Trade and bills receivable	233	237	266	288	309
Inventories	5,669	6,121	6,801	7,147	7,205
Others	3,779	3,844	3,804	3,522	3,680
Current assets	17,520	15,971	14,782	17,885	17,415
PP&E & CIP	13,933	17,891	18,745	19,498	21,620
Biological assets	186	340	234	242	269
Intangible assets	1,067	1,224	1,248	1,332	1,388
Others	1,272	881	1,054	1,107	1,168
Non-current assets	16,457	20,336	21,281	22,179	24,445
Total assets	33,977	36,307	36,063	40,064	41,859
Trade and bills payable	2,144	3,919	2,159	3,965	2,494
ST borrowings	2,338	3,147	2,675	1,177	1,001
Others	5,493	6,435	5,650	6,504	6,676
Current liabilities	9,974	13,501	10,484	11,645	10,171
LT borrowings	13	12	12	12	11
Lease liabilities	216	207	316	326	364
Others	625	510	519	598	539
Non-current liabilities	853	729	846	936	913
Shareholders' equity	22,809	21,853	24,323	26,998	30,139
Minority interest	341	330	410	485	636
Total equity	23,150	22,182	24,733	27,483	30,775
Total liabilities and equity	33,977	36,412	36,063	40,064	41,859

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates

Consolidated cash flow statement

FY ends at Dec 31 (RMB mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Net profit	4,884	5,717	6,256	6,762	7,960
Depreciation and amortization	1,047	1,294	1,196	1,295	1,107
Change in working capital	(1,372)	696	(3,893)	560	(2,838)
Others	1,476	(142)	151	243	107
Cash flow from operating activities	6,034	7,565	3,709	8,859	6,336
Change in PP&E, intangible assets, and other long-term assets	(3,919)	(3,384)	(1,636)	(1,362)	(2,569)
Change in investments related items	3,326	(24)	(227)	560	(32)
Others	0	(80)	0	0	0
Cash flow from investing activities	(592)	(3,488)	(1,862)	(803)	(2,602)
Change in bank borrowing	76	388	(475)	(1,501)	(179)
Others	(6,078)	(6,803)	(2,946)	(3,832)	(4,165)
Cash flow from financing activities	(6,002)	(6,415)	(3,421)	(5,333)	(4,344)
ForEx effect	4	1	1	2	2
Net change in cash and cash equivalent	(556)	(2,337)	(1,572)	2,726	(607)
Cash and cash equivalent at the end of FY	7,574	5,236	3,664	6,390	5,783

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates



Key operating and financial ratios

FY ends at Dec 31	FY21A	FY22A	FY23E	FY24E	FY25E
Growth (YoY %)					
Revenue	(9.7)	(6.1)	7.2	7.6	7.2
Core revenue	(9.7)	(6.2)	7.2	7.6	7.2
- Packaged meat products	(2.7)	(0.6)	14.4	5.3	12.7
- Fresh meat products	(19.0)	(14.4)	1.4	8.4	11.2
- Other products	21.3	15.4	8.3	9.0	10.0
GP	(12.3)	0.5	9.6	8.5	14.1
EBIT	(19.3)	15.6	10.4	4.9	14.5
Pretax Profit	(22.0)	15.2	9.4	8.1	17.7
Net profit (to owners of the company)	(22.2)	15.5	9.9	8.3	17.4
Profitability ratios (%)					
GPM	15.5	16.5	16.9	17.1	18.2
Core GPM	15.4	16.4	16.8	16.9	18.0
- Packaged meat products	28.6	30.4	30.4	30.8	31.1
- Fresh meat products	5.1	5.1	4.7	5.1	5.2
- Other products	6.8	3.7	3.0	3.0	3.4
OPM	9.0	11.1	11.4	11.2	11.9
Pretax margin	9.3	11.4	11.6	11.7	12.9
NPM (to owners of the company)	7.3	9.0	9.2	9.2	10.1
Return ratios (%)					
ROAA	14.2	16.3	17.3	17.8	19.4
ROAE	20.9	25.2	26.7	26.1	27.5
Liquidity ratio (x)					
Current ratio	1.8	1.2	1.4	1.5	1.7
Quick ratio	1.2	0.7	0.8	0.9	1.0
Cash ratio	0.8	0.4	0.4	0.6	0.6
Cash conversion cycle (days)					
Days of outstanding receivable	1	1	1	1	1
Days of inventory on hand	45	35	42	49	47
Days of outstanding payable	13	21	19	18	18
CCC	34	15	24	32	30
Leverage ratios (%)					
Total debt to Total equity	10.2	14.6	11.2	4.6	3.5
Total debt to Total assets	7.0	8.9	7.7	3.2	2.6
Net (cash)/debt to Total equity	(23.7)	(11.4)	(4.6)	(20.6)	(16.7)
Net (cash)/debt to Total assets	(16.1)	(7.0)	(3.2)	(14.1)	(12.3)

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates



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Rating	Definition
Buy	Stock return rate \geq Market return rate ($\sim 9\%$)
Hold	- Market return rate ($\sim 9\%$) \leq Stock return rate $<$ Market return rate ($\sim 9\%$)
Sell	Stock return $<$ - Market return ($\sim 9\%$)

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 2006 (HSI total return index 2006-22 averaged at 8.4%)

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.

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