Yurun Food（1068.HK）

Not rated

The worst is over

F&B Sector

Yurun is likely to recover from the clenbuterol event in 2011. Following the declines in the past 2 years, slaughtering capacity utilization rate is set to recover. The company is expanding multi-channels to raise upstream sales and rebuilding the brand to improve downstream margins. Based on Bloomberg consensus, the stock is trading at 30x earnings and 0.22x sales in 2015.

- **Focus on high-end meat productions and stringent quality control.** Yurun has been the leading company of the LTMP industry for the past 15 years. It focuses on the production of chilled meat and LTMP products. In 1H13, chilled meat and LTMP products accounted for 74% and 12.5% of the company's revenue respectively. For food safety consideration, Yurun has implemented "21+1" inspections on each hog from entry quarantine to slaughtering and distribution. Yurun also invites customers to visit the company's food safety control processes in its factories.
- **Slaughtering capacity utilization rate is set to recover.** In the past 2 years, Yurun continued to suffer from declines in slaughtering volume and decreases in selling prices following the clenbuterol event in 2011. In addition, the sharp increase in slaughtering capacity in 2011-2012 also dragged down its utilization rate from 67% in 2010 to less than 30% in 2013. However, the company's slaughtering utilization rate is likely to recover in 2014 due to 1) the company's slaughtering capacity is stabilizing at least for the next few years; 2) the negative impact of the clenbuterol event has gradually diminished; and 3) the company will benefit from consolidation in the sector. With slaughtering utilization rate recovery, the company is likely to see an improvement in its gross margin in 2014.
- **Expanding multi-channels to raise upstream sales.** Although third-party distributors are still the main channel for Yurun to sell its upstream products, restaurant chains have grown to be another important distribution channel. In 1H13, restaurant chains generated 28.5% of upstream segment sales compared to 7.9% in 2006. Furthermore, Yurun has planned to increase the number of franchised stores from the current 5,000 to 20,000 in the next three years.
- **Rebuilding the brand to help improve downstream margins.** Gross margin of the downstream segment recovered strongly to 18.8% in 1H13 from the historical low of 15.1% in 1H12 thanks to the success in rebuilding customer confidence on the Yurun brand. On the back of a stronger brand, we believe the company will be able to improve its downstream product mix by launching more new products (especially for the LTMP) with comparatively higher prices and gross margins. This will further help improve gross margin going forward.

Financial Summary

Year to Dec	2008A	2009A	2010A	2011A	2012A
Revenue (HK$ m)	13,024	13,870	21,473	32,315	26,782
Operating Profit (HK$ m)	1,175	1,956	2,974	1,942	-422
Reported Profit (HK$ m)	1,138	1,749	2,737	1,806	-611
Underlying EPS (HK$)	0.74	1.09	1.57	0.99	-0.33
DPS (HK$)	0.19	0.30	0.39	0.22	0.00
BVPS (HK$)	3.4	5.0	8.0	8.9	8.5
P/E (x)	6.1	4.2	2.9	4.6	NA
Dividend Yield (%)	5.3%	8.4%	11.0%	6.1%	0.0%
P/B (x)	1.33	0.91	0.57	0.51	0.53

Source: Guosen Securities (HK)

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Performance



Source: Yahoo Finance

Key Data

Price(HK$)	4.56
Shares Outstanding(m)*	1822.7
Market Cap. (HK$ m)*	8,312
Free float (%)	74.18%
Average Daily Turnover	HK$40m
52 Week Range	4.32/6.00
Controlling Shareholder	Willie Holdings (25.82%)
BVPS (HK$)	8.53
Debt ratio (%)	39.4

雨润食品（1068.HK）

未评级

期待复苏

肉制品行业

2011 年的瘦肉精事件之后，雨润经历了两年的低迷期。随着事件影响的弱化及公司品牌力的恢复，我们期待看到公司在 2014 年能够实现屠宰产能利用率的逐步恢复及下游产品毛利率的回升。

- **持续发展高端健康品类，严格安全生产。**冷鲜肉及低温肉制品均为国家鼓励发展的代表健康高端的肉类品种，同时也是公司多年来主要发展的方向，15 年来公司一直是低温肉制品的领军企业。2013H1，公司之冷鲜肉及低温肉制品收入占比分别为 74%及 12.5%，亦也是绝大部分毛利来源。在上游方面，公司率先采用“21+1”的检验检疫程序使得所有环节都有保障；且通过开放工厂，让消费者参与监督来提升公司品牌安全形象，以此促进产销量回升。
- **多种渠道拓展上游销售。**公司主要销售仍然依靠第三方进行，但餐饮渠道在上游销售占比从 2006 年的不足 8%持续提升至 2013H1 的 28.5%，预计未来餐饮渠道仍将取得较大进展。此外，公司亦计划积极拓展加盟店，计划从目前的 5000 家在未来三年内增加至 20000 家。
- **屠宰产能利用率提升是上游盈利关键。**公司在经历了 2011 年的瘦肉精事件过后，上游产销量持续下滑，而售价亦一直受压。此外，加上屠宰产能大幅增加，更使得公司上游产能利用率从 2010 年的 67%一路下滑至 2013 年的不足 30%。考虑到 1. 公司未来几年很可能将屠宰产能维持在当前的 5665 万头，不再新增产能；且 2. 瘦肉精事件的负面影响也在逐渐淡化，有利公司屠宰量回升；3. 全国屠宰产能集中度将因淘汰落后产能而持续提升；因此，我们认为公司上游业务毛利率有望受惠于产能利用率的恢复而出现提升。
- **提升下游产品结构组合恢复毛利率水平。**2012 年以来，公司下游业务毛利率从 2012H1 的最低点 15.1%已经逐渐回升至 2013H1 的 18.8%。我们认为，公司通过积极推出较高毛利率产品来不断改善下游肉制品产品结构，相信随着品牌力的恢复，这将成为主要的毛利率提升途径。

盈利预测

截至 31/12	2008A	2009A	2010A	2011A	2012A
营业额(港币百万)	13,024	13,870	21,473	32,315	26,782
经营盈利（港币百万）	1,175	1,956	2,974	1,942	-422
净利润（港币百万）	1,138	1,749	2,737	1,806	-611
每股实际盈利(港币)	0.74	1.09	1.57	0.99	-0.33
每股股息(港币)	0.19	0.30	0.39	0.22	0.00
每股账面价值（港币）	3.4	5.0	8.0	8.9	8.5
市盈率(x)	6.1	4.2	2.9	4.6	NA
股息率(%)	5.3%	8.4%	11.0%	6.1%	0.0%
市净率(x)	1.33	0.91	0.57	0.51	0.53

资料来源：国信证券(香港)

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股价表现



资料来源：雅虎财经

股票数据

收盘价(港币$)	4.56
流通股本(百万)*	1822.7
总市值(港币$百万)*	8,312
流通量(%)	74.18%
日均成交额	HK$40m
52 周最高/最低	4.32/6.00
主要控股股东 (25.82%)	Willie Holdings
每股净资产(港币$)	8.53
负债率 (%)	39.4

研究报告仅代 Table 分析员个人观点，请务必阅读正文之后的免责声明。

Financial Summary

Profit & Loss (HK$ m)	2008A	2009A	2010F	2011A	2012A
Chilled and Frozen meat	10,078	10,582	17,652	28,542	24,102
Processed meat products	2,946	3,289	3,821	3,841	2,688
Revenue	13,024	13,870	21,473	32,382	26,790
Cost of sales	-11,334	-11,710	-18,375	-29,530	-26,384
Gross profit	1,690	2,161	3,098	2,852	406
Other net income	344	625	966	703	944
Distribution expenses	-547	-510	-627	-758	-744
G&A expenses	-312	-320	-463	-788	-1021
Operating profit	1175	1956	2974	2009	-414
Finance income	137	51	122	139	65
Finance costs	-73	-116	-169	-175	-209
Associates & JCE	0	0	0	0	-2
Profit before taxation	1239	1891	2926	1973	-561
Taxation	-101	-143	-189	-100	-42
Non-controlling interests	-1	3	9	7	-6
Net profit	1139	1745	2728	1866	-597

Financial Ratios	2008A	2009A	2010F	2011A	2012A
Revenue growth (%)	50.8%	6.5%	54.8%	50.8%	-17.3%
Operating profit growth (%)	34.8%	66.4%	52.1%	-32.4%	-120.6%
Reported profit growth (%)	32.4%	53.3%	56.3%	-31.6%	-132.0%
Underlying profit growth (%)	32.4%	53.3%	56.3%	-31.6%	-132.0%
Underlying EPS growth (%)	27.4%	46.4%	43.7%	-36.8%	-133.6%
Dividend growth (%)	27.0%	72.5%	42.5%	-43.9%	NA
Dividend payout (%)	25.5%	28.8%	26.2%	22.3%	0.0%
Gross profit margin (%)	13.0%	15.6%	14.4%	8.8%	1.5%
Operating profit margin (%)	9.0%	14.1%	13.8%	6.2%	-1.5%
Underlying profit margin (%)	8.7%	12.6%	12.7%	5.8%	-2.2%
ROE (%)	21.7%	20.8%	18.8%	11.5%	-3.8%
ROA (%)	13.7%	13.5%	13.4%	7.3%	-2.3%
Net debt/equity (%)	13.7%	-32.8%	-30.9%	-32.2%	-33.8%
Net debt/total assets (%)	8.6%	5.2%	-11.2%	3.4%	10.5%
Current ratio (%)	161.3%	123.5%	177.2%	102.0%	105.5%
Interest cover (x)	13	15	15	9	-4
Dividend cover (x)	3.9	3.5	3.8	4.5	NA

Balance Sheet (HK$ m)	2008A	2009A	2010F	2011A	2012A
Fixed assets	2,588	5,065	8,037	12,635	14,518
Lease prepayments	1,104	1,407	2,159	3,281	3,759
Intangible assets	86	86	90	94	94
Others	1,287	1,175	1,215	1,119	660
Non-current assets	5,065	7,734	11,502	17,129	19,031
Inventories	703	936	1,268	1,453	1,665
Debtors & prepayments	727	957	1,237	1,538	2,111
Others	616	843	381	290	29
Cash and cash equivalents	1,209	2,465	5,972	5,069	2,812
Current assets	3,256	5,201	8,859	8,350	6,617
Bank & other borrowings	1,096	3,109	3,152	5,142	3,618
Trade & payables	903	1,085	1,817	3,015	2,632
Taxation	20	19	30	34	19
Current liabilities	2,018	4,213	4,999	8,190	6,270
Bank & other borrowings	833	24	530	785	1,879
Others	235	298	350	333	1,953
Non-current liabilities	1,068	322	879	1,118	3,831
Net assets	5,235	8,400	14,482	16,172	15,546
Share capital	182	182	182	182	182
Premium & reserves	5,062	8,202	14,256	15,927	15,307
Shareholders' funds	5,244	8,385	14,438	16,109	15,489
Non-controlling interests	20	30	46	63	57
Total equity	5,264	8,415	14,484	16,172	15,546

Cash Flows (HK$ m)	2008A	2009A	2010F	2011A	2012A
Profit before taxation	1,239	1,891	2,926	1,973	-561
Depreciation & amortization	109	153	249	351	463
Interest income	-41	-45	-36	-40	-40
Others	-230	-89	-214	-103	-150
Change in working capital	172	-280	201	306	-968
Tax paid	-55	-61	-140	-147	-24
Operating activities	1,195	1,569	2,986	2,339	-1,281
Purchase of non-current assets	-1,307	-1,649	-2,831	-4,164	-2,207
Disposal of non-current assets	248	318	304	639	1,395
Payments for lease prepayments	-266	-897	-615	-793	-213
Interest received	22	32	29	40	40
Dividends received	0	0	0	0	0
Others	-719	-548	-385	-534	-1,278
Investing activities	-2,022	-2,744	-3,499	-4,812	-2,263
New loans raised	1,122	4,444	5,394	6,578	7,249
Repayment of loans	-298	-3,240	-4,975	-4,517	-6,088
Dividends paid	-291	-374	-619	-766	0
Others	-543	1,600	4,058	136	149
Financing activities	-10	2,430	3,858	1,431	1,311
Inc/(dec) in cash	-837	1,254	3,345	-1,042	-2,233
Cash at beginning of year	1,966	1,209	2,465	5,972	5,069
Foreign exchange effect	81	2	162	206	-15
Cash at end of year	1,209	2,465	5,972	5,136	2,821

Source: Guosen Securities (HK)

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Buy: A return potential of 10 % or more relative to overall market within 6 – 12 months.

Neutral: A return potential ranging from -10% to 10% relative to overall market within 6 – 12 months.

Sell: A negative return of 10% or more relative to overall market within 6 –12 months.

Sector Ratings:

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Neutral: The sector performance will range from -10% to 10% relative to overall market within 6 –12 months.

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