

# China Tianyi (756 HK)

## Meeting takeaways

We attended Tianyi's analyst briefing on September 18, 2014. The focus was on the not from concentrated orange juice (NFC), which was introduced by the Group's newly appointed COO – Myles Hsu.

### NFC may be the new growth driver

Tianyi introduced the first and only locally produced NFC in China during the meeting. They will launch NFC in 5 cities, including Hong Kong, Shanghai, Beijing, Chongqing and Chengdu targeting retail consumers under "Summi" brand by Feb 2015. Price will be towards high-end at HKD 20/300ml, HKD 48/L and HKD 78/1.75L, about the same as foreign brands. The products will be available on shelf in Hong Kong in November. The group is also considering OEM of NFC products. It is expected that NFC sales could reach 400 million in the first year.

### 2014 annual result improved

Revenue increased 8% yoy to RMB 569 mn and gross profit increased 5% yoy to RMB 208 mn. Reported net income increased 74% to RMB 117 mn. Stripping out gain from changes in fair value of biological assets less cost to sell, impairments and one off tax expense due to deregistration in 2013, adjusted underlying profit increased 33.7%.

Revenue from orange juice products decreased 6.5% from RMB 378 mn in 2013 to RMB 353 mn in 2014 as sales of FCOJ decreased by 2.8% and sales of orange pulp decreased by 7.2%. Revenue from fresh oranges increased 11.4% to RMB 161.8 mn due to increase in ASP. Revenue from other products increased 2064% to RMB 54 mn in 2014 because of the newly launched orange baking filling and trail on OEM of grapefruit juice. Overall, orange juice products, fresh oranges and other products accounted for 62.1%, 28.4% and 9.5% of 2014 revenue. (Compare to 71.9%, 27.6%, 0.5% in 2013).

### Orange plantation capacity shall increase next year

Plantation area increased 38% to 76,000 mu. As 21,000 mu of additional citrus in Chongqing are having the first harvest (with an average yield of 0.8 tonne/ mu), average yield per mu decreased from 1.9 tonne/ mu in 2013 to 1.7 tonne/ mu in 2014. Overall, orange output decreased 8% yoy to 131.3 thousand tonne, but purchase orange increased 9%, to keep the total volume of orange flat. Estimated orange yield shall increase 38% to 182 thousand tons in 2015, resulting an average yield per mu of 2.4 tonne.

### Early redemption on convertible bond

In August, Tianyi announced an early redemption on the convertible bonds. A total redemption amount of HK\$291,658,000 was negotiated to retire all outstanding principal and accrued but unpaid interest borne under the Bonds. We think the benefits are as follow:

- 1) Interest saving of around HKD 8 million a year
- 2) Cost saving as the implied effective interest rate on CB was about 16% a year
- 3) Gearing ratio is 41% in FY14, but without CB, gearing ratio could be lower to 27%
- 4) Avoid potential equity dilution

#### Hong Kong / Consumer Staples

25 September 2014 **Non rated**

Target price	N/A
Last price (24 Sep 14)	HK\$1.14
Upside/downside (%)	
HSI	23921.61
Mkt cap (HK\$m/US\$m)	1,537/198
52 week range (HK\$)	1.00 - 1.50
Avg trading volume daily (US\$m)	.29
Free float (%)	48.9%

Source: Bloomberg

#### Performance



Performance	1M	3M	12M
Absolute (%)	(5.0)	7.6	(14.3)
Absolute (US\$, %)	(5.0)	7.6	(14.3)
Relative to HSI (%)	(0.3)	3.0	(17.5)

Source: Bloomberg

#### Company background

China Tianyi Holdings Limited manufactures and produces frozen concentrated orange juice in the People's Republic of China. The Company also provides wholesale distribution of oranges, produces concentrated strawberry and gooseberry juice, and processes dehydrated longans.

Source: Bloomberg

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Figure 1: Financial Summary

Year to Jun 30 (RMBmn)	2009A	2010A	2011A	2012A	2013A
<b>Revenue</b>	<b>464</b>	<b>479</b>	<b>455</b>	<b>651</b>	<b>526</b>
Operating Profit	139	196	185	277	144
Reported Profit	95	157	154	250	67
<b>Underlying Profit</b>	<b>95</b>	<b>157</b>	<b>154</b>	<b>250</b>	<b>67</b>
<b>Underlying EPS (CNY)</b>	<b>0.10</b>	<b>0.15</b>	<b>0.15</b>	<b>0.21</b>	<b>0.06</b>
DPS (CNY)	0.00	0.00	0.01	0.00	0.01
BVPS (CNY)	0.50	0.61	0.76	1.06	1.14
P/E (x)	8.67	5.97	6.08	4.38	16.30
Dividend Yield (%)	0.0	0.0	1.4	0.0	1.3
P/B (x)	1.81	1.48	1.18	0.85	0.79

Source: Guosen Securities(HK)

# 中国天溢控股 (756 HK)

## 会议概要

我们参加了中国天溢控股 9 月 18 日的分析师会议，天溢新任命的  
首席运营官许弼坚为我们介绍了公司的新产品非还原橙汁（NFC）。

### NFC 可能是新的增长动力

天溢推出了中国第一家也是唯一本地生产的 NFC。他们将会在明年 2 月前在 5 个城市(包括香港, 上海, 北京, 重庆和成都)推出 NFC, 以“森美”品牌针对零售消费者。产品定位高端, 定价分别为港元 20/300ml, 港元 48/L 和港元 78/1.75L, 跟国外品牌相若。该产品将于十一月首先在香港上架。天溢也在考虑 OEM NFC 产品。预计 NFC 的销售可能在第一年达到人民币 4 亿。

### 2014 年度业绩改善

天溢收入按年增长 8%至人民币 5.69 亿, 毛利按年增长 5%至人民币 2.08 亿。净收入增长 74%至人民币 1.17 亿。撇除生物资产公允价值变动收益减销售成本, 无形资产减值亏损及 13 年一次性所得税费用, 调整后基本溢利上升 33.7%。

橙汁类产品销售由 2013 年的人民币 3.78 亿下降 6.5%至 2014 年人民币 3.53 亿, 主要由于冷冻浓缩橙汁销售同比下降 2.8%及囊包橙汁的销售同比下降 7.2%。鲜橙销售增长 11.4%至人民币 1.618 亿主要由于鲜橙的平均销售价格有所上升。其他产品销售增加 2064%至人民币 5 千 4 百万, 由于在 2014 年推出新的橙茸馅料及 OEM 的柚子汁。总体而言, 橙汁类产品, 鲜橙及其他产品分别占 2014 年收入的 62.1%, 28.4%和 9.5%。(相比 2013 的 71.9%, 27.6%, 0.5%)。

### 自营橙园种植能力将提升

2014 年种植面积增加 38%至 76,000 亩。由于重庆的 2.1 万亩获得第一次收成(其平均每亩产量为 0.8 吨), 每亩平均产量从 2013 年的 1.9 吨下降至 1.7 吨。虽然自营橙园的橙产量同比下降 8%至 13.1 万吨, 但外购橙增加 9%, 以保持总橙量不变。预期 2015 年橙产量将增加 38%至 18.2 万吨, 每亩平均产量达 2.4 吨。

### 提早赎回可换股债券

今年八月, 天溢宣布提早赎回可换股债券。订约方已同意总赎回金额为港币 2.91 亿, 此将结束债券项下的未偿还本金及应计但未付利息之债务。我们认为的好处如下:

- 1) 每年节省利息约港币 800 万
- 2) 节省成本, 因可换股债券之隐含实际利率为每年 16%左右
- 3) 在 2014 财年的资产负债率为 41%, 但撇除可换股债券, 资产负债率可下降至 27%
- 4) 避免对股东利益构成任何潜在的权益摊薄影响

香港 / 消费零售

2014 年 9 月 25 日

未评级

目标价	N/A
收盘价 (24 Sep 14)	HK\$1.14
Upside/downside (%)	
恒生指数	23921.61
总市值 (HK\$/US\$mn)	1,537/198
52 周最高/最低 (HK\$)	1.00 - 1.50
日均成交额 (US\$mn)	.29
流通量 (%)	48.9%

资料来源: 彭博

### 股价表现



股票数据	1M	3M	12M
绝对回报 (%)	(5.0)	7.6	(14.3)
绝对回报 (US\$, %)	(5.0)	7.6	(14.3)
相对 HSI 回报 (%)	(0.3)	3.0	(17.5)

资料来源: 彭博

### 公司简介

天溢果业控股有限公司在中华人民共和国制造和生产冷冻浓缩橙汁。该公司还批发橙子, 生产浓缩草莓汁、浓缩醋栗汁和脱水龙眼。

资料来源: 彭博

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Figure 2: 盈利预测

截至 Jun 30 (人民币百万)	2009A	2010A	2011A	2012A	2013A
营业额	464	479	455	651	526
经营盈利	139	196	185	277	144
净利润	95	157	154	250	67
实际盈利	95	157	154	250	67
每股实际盈利 (CNY)	0.10	0.15	0.15	0.21	0.06
每股股息 (CNY)	0.00	0.00	0.01	0.00	0.01
每股账面价值 (CNY)	0.50	0.61	0.76	1.06	1.14
市盈率 (x)	8.67	5.97	6.08	4.38	16.30
股息率 (%)	0.0	0.0	1.4	0.0	1.3
市净率 (x)	1.81	1.48	1.18	0.85	0.79

资料来源: 国信证券(香港)

## Summary financial statements

Profit & Loss (RMBmn)	2009A	2010A	2011A	2012A	2013A
Revenue	464	479	455	651	526
Cost of sales	(336)	(294)	(314)	(403)	(328)
Gross profit	128	186	141	248	198
Other income/(expense)	47	81	121	107	23
Operating expenses	(36)	(70)	(77)	(78)	(77)
Operating profit	139	196	185	277	144
Other non operating inc/(exp)	0	0	0	0	0
Finance income	0	0	0	0	0
Finance expenses	(1)	(2)	(20)	(27)	(44)
Associates & JCE	0	0	0	0	0
Profit before taxation	138	194	166	250	100
Taxation	(40)	(36)	(12)	0	(33)
Non-controlling interests	(2)	(2)	0	0	0
Net profit	95	157	154	250	67
Other Adjustments on UP	0	0	0	0	0
Underlying Profit	95	157	154	250	67

Source: Guosen Research estimates

Financial Ratios	2009A	2010A	2011A	2012A	2013A
Revenue growth (%)	0.0	3.4	(5.0)	43.0	(19.2)
Operating profit growth (%)	0.0	41.7	(5.6)	49.4	(48.1)
Reported profit growth (%)	0.0	64.7	(1.8)	62.8	(73.2)
Underlying profit growth (%)	0.0	64.7	(1.8)	62.8	(73.2)
Underlying EPS growth (%)	0.0	45.1	(1.8)	38.8	(73.1)
Dividend growth (%)	0.0	0.0	0.0	(100)	0.0
Gross profit margin (%)	27.5	38.7	31.0	38.1	37.7
Operating profit margin (%)	29.9	40.9	40.7	42.5	27.3
Underlying profit margin (%)	20.5	32.7	33.8	38.4	12.8
Net debt/equity (%)	(42.0)	(46.3)	(37.7)	(14.8)	(16.2)
Net debt/total assets (%)	(38.6)	(35.8)	(27.3)	(11.3)	(12.0)
Current ratio (x)	1,531	2,369	247	468	367
Dividend payout (%)	0.0	0.0	8.6	0.0	21.4
Interest cover (x)	227.1	109.2	9.5	10.4	3.3
Dividend cover (x)			11.6		4.7

Dupont Analysis	2009A	2010A	2011A	2012A	2013A
Tax burden (%)	68.9	80.5	92.8	100	67.2
Interest burden (%)	99.6	99.1	89.4	90.3	69.4
Operating profit margin (%)	29.9	40.9	40.7	42.5	27.3
Asset turnover (x)		0.7	0.5	0.5	0.3
Leverage ratio (x)		1.2	1.3	1.3	1.3
ROA (%)		23.9	16.1	18.0	3.8
ROE (%)		28.8	21.6	24.1	5.0

Source: Guosen Research estimates

Balance Sheet (RMBmn)	2009A	2010A	2011A	2012A	2013A
Fixed assets	108	143	159	235	245
Associates & JCE	0	0	0	0	0
Others	45	143	255	659	725
Non-current assets	153	286	414	894	970
Inventories	10	5	8	34	33
Debtors & prepayments	80	54	64	164	185
Bank deposits & cash	193	429	556	513	489
Others	58	45	49	86	193
Current assets	340	533	677	797	900
Bank & other borrowings	0	0	256	141	186
Trade & payables	19	18	8	8	6
Taxation	3	5	0	0	33
Others	0	0	10	21	20
Current liabilities	22	22	274	170	246
Bank & other borrowings	5	139	5	184	199
Others	12	24	21	49	45
Non-current liabilities	17	162	26	233	244
Net assets	455	634	790	1,287	1,380
Share capital	9	9	9	11	11
Premium & reserves	446	625	781	1,277	1,369
Shareholders' funds	455	634	790	1,287	1,380
Non-controlling interests	0	0	0	0	0
Total equity	455	634	790	1,287	1,380

Source: Guosen Research estimates

Cashflow (RMBmn)	2009A	2010A	2011A	2012A	2013A
Operating profit	139	196	185	277	144
Depreciation & amortization	6	8	12	22	28
Interest income	(2)	(1)	(5)	(8)	(7)
Change in working capital	52	19	96	(264)	(168)
Tax paid	(55)	(33)	(17)	(11)	(1)
Other operating cashflow	(35)	(66)	(106)	(92)	(6)
Operating activities	105	123	165	(77)	(10)
Purchase of non-current assets (Capex)	(88)	(48)	(34)	(38)	(33)
Free cash flow	17	75	131	(115)	(43)
Disposal of non-current assets	0	0	0	1	0
Associates & JCE (net)	0	0	0	17	0
Interest received	2	1	2	3	2
Dividends received	0	0	0	0	0
Other investing cashflow	(8)	0	(115)	(2)	3
Investing activities	(94)	(47)	(147)	(18)	(28)
New loans raised	5	0	254	576	69
Repayment of loans	(17)	0	(140)	(558)	(27)
Dividends paid	0	0	(13)	0	(14)
Other financing cashflow	126	160	8	34	(12)
Financing activities	114	160	109		
Inc/(dec) in cash	125	236	127		
Cash at beginning of year	68	193	429		
Foreign exchange effect	0	0	0		
Cash at end of year	193	429	556		

Source: Guosen Research estimates

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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.

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