Deutsche Bank
Markets Research

Rating
Hold

Asia
China

Consumer
Retail / Wholesale Trade

Company
Shanghai Jahwa

Reuters	Bloomberg	Exchange	Ticker
600315.SS	600315 CH	SHH	600315

Date
13 October 2017

Company Update

Price at 11 Oct 2017 (CNY)	32.17
Price target - 12mth (CNY)	30.04
52-week range (CNY)	32.44 - 25.79
Shanghai Composite	3,389

Valuation & Risks

Anne Ling
Research Analyst
+852-2203 6177

Louise Li
Research Associate
+852-2203 6152

Jahwa parent co. to buy 20% stake of Jahwa listco at RMB38/share

Tender offer announced after market close

Shanghai Jahwa (Jahwa) announced after market close today that Shanghai Jahwa Group, the parent company of Jahwa listco, plans to buy up to 20% of Jahwa's shares at RMB38/share. Jahwa's shares will resume trading from 13 Oct. Details are as below:

Buyer: Shanghai Jahwa Group (parent company of Jahwa listco).

Seller: All the shareholders excluding all the entities under Ping An (ChinaPing An Life Insurance, Shanghai Huisheng Industrial Company, and Shanghai Tai Fu Xiang Er Equity Investment Fund Partnership).

Offer price: RMB38/share (+18% vs the closing price, RMB32.15/share before suspension)

Period: 30 days after the announcement. The subscription will only start after it announces a full circular.

No. of shares: Involves 135m shares (20% of total issued shares).

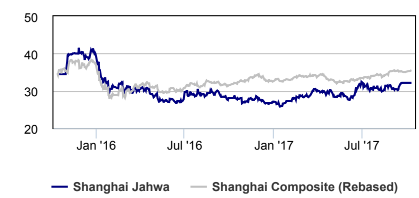
Amount: RMB5.1bn, 20% of the amount (RMB1bn) to be deposited as guarantee.

Capital funding: from Ping Pu Investment, the parent company of Shanghai Jahwa Group under Ping An.

Rationale: 1) The share acquisition is a way to strengthen the parent company's control on the listed company. 2) Premium in offer price reflects Ping An's confidence in the China HBC industry and Jahwa's long-term perspective; 3) This tender offer is a partial tender offer; i.e., the parent company intends to maintain Jahwa's listing status after completion.

Future plan: Apart from this tender offer, Shanghai Jahwa Group does not have a plan to continue increasing the stake of Jahwa listco in the next 12 months.

Price/price relative



Performance (%)	1m	3m	12m
Absolute	6.0	1.9	12.7
Shanghai Composite	0.3	5.8	10.5

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	7.7
Net debt/equity (%)	-6.9
Book value/share (CNY)	8.23
Price/book (x)	3.9
Net interest cover (x)	49.1
Operating profit margin (%)	9.0

Source: Deutsche Bank

Deutsche Bank view

Post the share purchase, Ping An will remain Jahwa's controlling shareholder. The table below shows the share structure change from Shanghai Jahwa Group and the related companies under Ping An.

We believe the mechanism is similar to the last tender offer initiated by Ping An in November 2015. However, the offer price looks more attractive for the shareholders. There is one difference. Last time, the offer price was 9%/-3% vs. the average share price of the past three/six months, respectively. This time, Ping An's offer price is 23%/27% higher than the average price of the past/six months, implying a 62%/49% 2017/18 PE.

Figure 1: Share structure change after parent company acquires 20% of listco

Shareholders	No. of shares owned	% as of total	No. of shares owned	% as of total
Shanghai Jahwa Group (parent company)	182,449,233	27.09%	317,132,527	47.09%
Shanghai Huisheng Industrial company	5,416,577	0.80%	5,416,577	0.80%
Ping An Life	17,567,886	2.61%	17,567,886	2.61%
Shanghai Tai Fu Xiang Er	10,226,588	1.52%	10,226,588	1.52%
Total shares owned by Shanghai Jahwa Group and its related parties	**215,660,284**	**32.02%**	**350,343,578**	**52.02%**
Total no. of shares- original			673,416,467	
Restricted shares related to 2015 option scheme cancelled due to failure of achieving operational target and			-584,670	
Total no. of shares- after cancelation of restricted shares			672,831,797	52.07%

Source: Deutsche Bank, company announcement

Forecasts and ratios

Year End Dec 31	2015A	2016A	2017E	2018E	2019E
Sales (CNYm)	5,792.6	5,266.3	6,278.2	6,928.9	7,615.7
EBITDA (CNYm)	788.8	372.8	719.0	894.8	1,057.0
Reported NPAT (CNYm)	2,210.0	216.0	414.3	527.4	678.5
Reported EPS FD(CNY)	3.28	0.32	0.62	0.78	1.01
DB EPS FD(CNY)	3.28	0.32	0.62	0.78	1.01
DB EPS growth (%)	145.5	-90.2	92.4	27.2	28.6
PER (x)	12.3	91.0	52.3	41.1	32.0
EV/EBITDA (x)	29.5	42.8	27.7	21.7	17.8
DPS (net) (CNY)	0.99	0.10	0.19	0.24	0.31
Yield (net) (%)	2.4	0.3	0.6	0.8	1.0

Source: Deutsche Bank estimates, company data

Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Shanghai Jahwa	600315.SS	32.17 (CNY) 11 Oct 2017	NA

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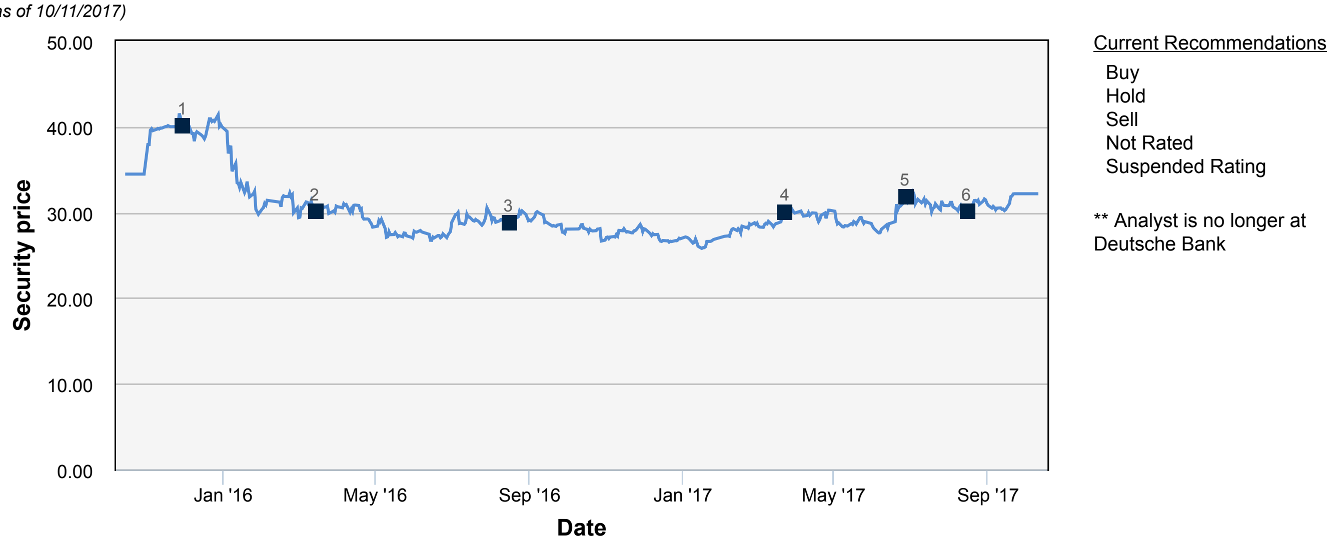
Historical recommendations and target price. Shanghai Jahwa (600315.SS)

(as of 10/11/2017)



1.	11/30/2015	Hold, Target Price Change CNY 40,67 Anne Ling
2.	03/15/2016	Hold, Target Price Change CNY 25,76 Anne Ling
3.	08/16/2016	Hold, Target Price Change CNY 24,70 Anne Ling
4.	03/24/2017	Hold, Target Price Change CNY 31,60 Anne Ling
5.	06/28/2017	Hold, Target Price Change CNY 32,30 Anne Ling
6.	08/16/2017	Hold, Target Price Change CNY 30,04 Anne Ling

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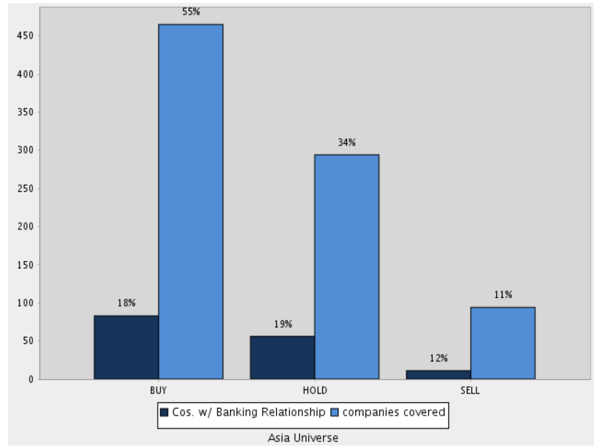
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.
Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

Equity rating dispersion and banking relationships



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David Folkerts-Landau
Group Chief Economist and Global Head of Research

Raj Hindocha
Global Chief Operating Officer
Research

Michael Spencer
Head of APAC Research
Global Head of Economics

Steve Pollard
Head of Americas Research
Global Head of Equity Research

Anthony Klarman
Global Head of
Debt Research

Paul Reynolds
Head of EMEA
Equity Research

Dave Clark
Head of APAC
Equity Research

Pam Finelli
Global Head of
Equity Derivatives Research

Andreas Neubauer
Head of Research - Germany

Spyros Mesomeris
Global Head of Quantitative
and QIS Research

International locations

Deutsche Bank AG
Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG
Filiale Hongkong
International Commerce Centre,
1 Austin Road West,Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.
2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Deutsche Bank AG London
1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500