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
30 January 2018

Results

Price at 30 Jan 2018 (CNY)	33.99
Price target - 12mth (CNY)	30.04
52-week range (CNY)	37.49 - 27.20
Shanghai Composite	3,524

Preliminary FY17 results announced

Valuation & Risks

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Sales were in line with Dbe while NP was 7% lower

Jahwa reported RMB 6.3 b revenue in FY2017 compared to RMB 5.3 b in 2016, representing 20% yoy growth. The high yoy growth benefits form the low base effect in 2016.

Net profit increased by 79% to RMB 386m compared to RMB 216m reported NP in FY2016. To recap, Jahwa acquired Tommee Tippee, a high-end babycare brand, in June 2017. Therefore, on a like-for-like basis, RMB 386m reported NP would be 93% yoy growth compared with RMB 2m adjusted NP in FY2016.

The company is due to announce its FY17 results on 21 March.

Deutsche Bank view

Our forecasts budget an additional RMB20m in finance costs per year from 2017 as we assumed the payment for the TT deal would be settled by a loan. As the company paid the acquisition by cash, the DB estimated NP would increase to RMB 434m or 12% higher than actual FY2017 NP if this financial cost is eliminated.

Given the fact that 2017 was a year of restructuring, we believe investor focus will be on 2018's top line growth post restructuring and management change. Although the move to a new manufacturing plant in 2018 might affect its profitability and margin, we believe the key share price driver will be its ability to grow sale, especially for its Herborist brand. We believe the shares are fairly valued. Hold.

Price/price relative

Performance (%)	1m	3m	12m
Absolute	-7.3	-7.6	25.0
Shanghai Composite	6.5	3.9	11.5

Source: Deutsche Bank

Key indicators (FY1)	
ROE (%)	7.7
Net debt/equity (%)	-6.9
Book value/share (CNY)	8.23
Price/book (x)	4.1
Net interest cover (x)	49.1
Operating profit margin (%)	9.0

Source: Deutsche Bank

Figure 1: DBe vs. Market consensus

YE Dec	DB forecast				Market forecast				Difference			
RMBm	Sales	GP	EBIT	NP	Sales	GP	EBIT	NP	Sales	GP	EBIT	NP
2017F	6,278	4,019	566	414	5,549	3,526	445	394	13%	14%	27%	5%
2018F	6,929	4,446	694	527	6,478	4,087	634	563	7%	9%	9%	-6%
2019F	7,616	4,910	867	678	7,115	4,496	785	733	7%	9%	10%	-7%

Source: Deutsche Bank, Bloomberg Finance LP, closing price as of 30 Jan 2018

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	55.2	43.4	33.8
EV/EBITDA (x)	29.5	42.8	29.4	23.0	18.9
DPS (net) (CNY)	0.99	0.10	0.19	0.24	0.31
Yield (net) (%)	2.4	0.3	0.6	0.7	0.9

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	33.99 (CNY) 30 Jan 2018	NA

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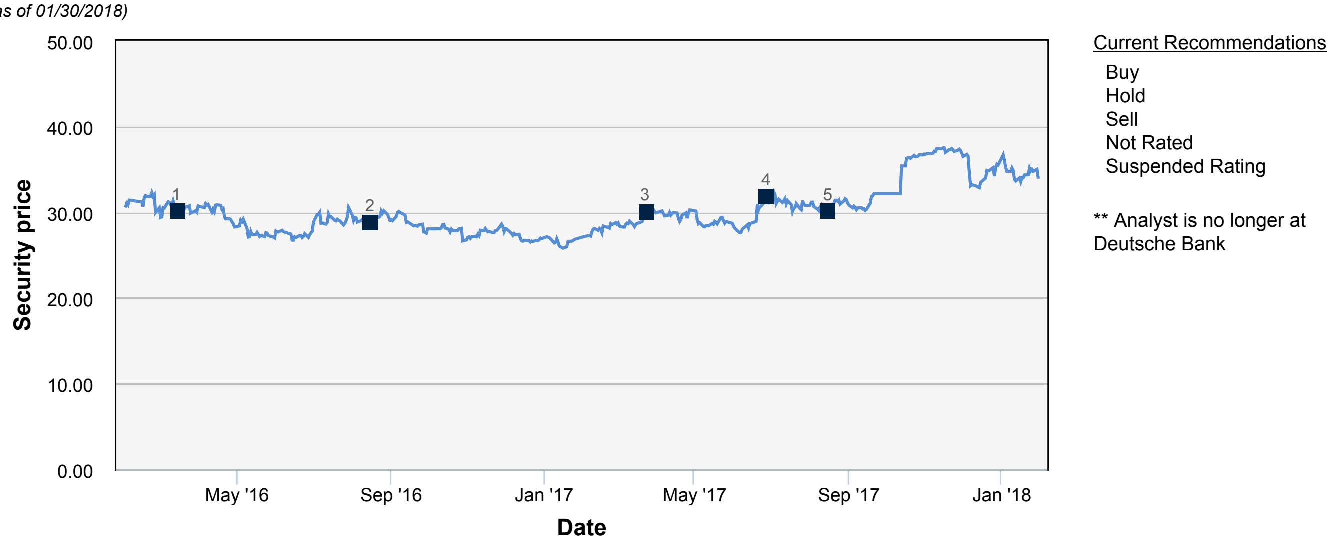
Historical recommendations and target price. Shanghai Jahwa (600315.SS)

(as of 01/30/2018)



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

Equity Rating Key

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.

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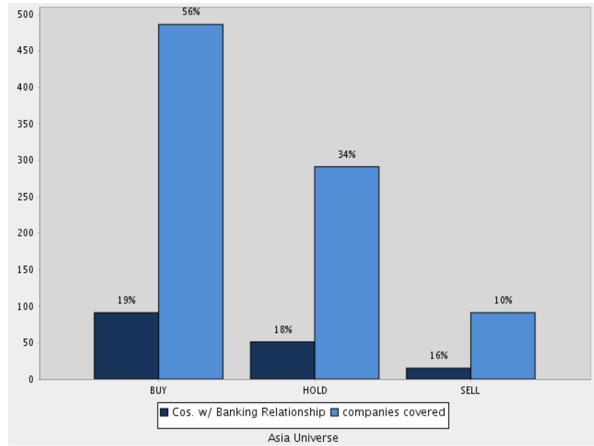
Equity rating dispersion and banking relationships



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