



Rating  
**Buy**

Asia  
China

Energy  
Chemicals

Company  
**Wanhua Chemical**

Reuters 600309.SS Bloomberg 600309 CH Exchange SHH Ticker 600309

Date  
31 July 2018

Results

|                            |               |
|----------------------------|---------------|
| Price at 30 Jul 2018 (CNY) | 51.59         |
| Price target - 12mth (CNY) | 53.00         |
| 52-week range (CNY)        | 53.31 - 31.44 |
| Shanghai Composite         | 2,874         |

## Strong 1H18 results inline; GPM softened in 2Q18

### Recurring earnings in 1H18 +35% yoy; 2Q18 -5% qoq

WHC reported strong 1H18 results with EPS of RMB2.54, +43% yoy; if we strip out one-off items, 1H18 growth would have been +35% yoy and accounting for 59% of DB FY18E. Conversely, 2Q18 recorded EPS of RMB1.24 (net profit at RMB3.4bn), +25% yoy and -5% qoq. We noticed 1) GPM dropped 5%pts qoq in 2Q18 where the MDI spread declined by 10% qoq; 2) 1H18 G&A expense increased 32% yoy driven by higher R&D and staff cost. We maintain Buy on WHC with a positive view on MDI cycle and accretive pending acquisition.

### Strong PU & fine chemicals segments while petrochem flat

Despite MDI spreads dropping qoq in 2Q18, we expect MDI cycle to remain strong driven by tight supply demand, China environmental scrutiny, and strong demand from new appliances. In 1H18, PU and fine chemicals segments GP increased by 31% / 61% yoy to RMB9.6bn and RMB0.9bn and recorded GPM of 57% / 33%; conversely, petrochemicals GP was flat, -2% yoy.

### Update on the restructuring plan

EGM approved the restructuring plan on Jul 19, while it is pending approval from China Securities Regulatory Commission (CSRC). We believe the deal is accretive where EPS would be +26%/+13% accretive on 2018E/19E. For sensitivity purpose, if we assume the deal to be completed and target assets with the same P/B-ROE ratio, we believe the deal could add a RMB6/sh value (+12% to our TP), (see [WHC report dated on Jun 4, 2018](#) for details).

### Valuation and risks

We base our TP on 8.0x 2018E EV/EBITDA, which is at a 16% discount to its historical average of 9.5x. Our TP implied 3.4x 2019E P/B with 30% ROE. Key risks: 1) unplanned maintenance turnaround; 2) fluctuations in oil and chemical product prices; 3) lower-than-expected GDP growth; and 4) unexpected corporate actions with demanding valuations.

### Forecasts and ratios

| Year End Dec 31      | 2016A   | 2017A    | 2018E    | 2019E    | 2020E    |
|----------------------|---------|----------|----------|----------|----------|
| Reported NPAT (CNYm) | 3,681.4 | 11,133.1 | 10,940.3 | 12,059.3 | 12,716.0 |
| DB EPS FD(CNY)       | 1.42    | 4.08     | 4.00     | 4.41     | 4.65     |
| PER (x)              | 12.5    | 7.7      | 12.9     | 11.7     | 11.1     |
| EV/EBITDA (x)        | 8.7     | 5.3      | 7.5      | 6.6      | 6.1      |

Source: Deutsche Bank estimates, company data

### Valuation & Risks

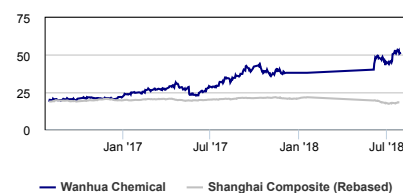
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### Price/price relative



| Performance (%)    | 1m   | 3m   | 12m   |
|--------------------|------|------|-------|
| Absolute           | 13.6 | 36.0 | 63.2  |
| Shanghai Composite | 0.9  | -6.8 | -11.7 |

Source: Deutsche Bank

### Key indicators (FY1)

|                             |       |
|-----------------------------|-------|
| ROE (%)                     | 35.8  |
| Net debt/equity (%)         | 21.3  |
| Book value/share (CNY)      | 12.38 |
| Price/book (x)              | 4.2   |
| Net interest cover (x)      | 25.0  |
| Operating profit margin (%) | 36.2  |

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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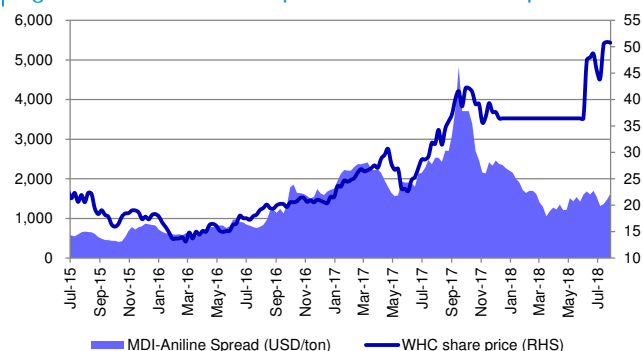


Figure 1: Wanhua quarterly P&L

| RMB mn                                    | 1Q17         | 2Q17         | 3Q17         | 4Q17         | 1Q18         | 2Q18         | QoQ        | YoY        |
|-------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
| Revenue                                   | 11,007       | 13,423       | 14,533       | 14,160       | 13,602       | 16,452       | 21%        | 23%        |
| Cost of goods sold                        | -6,689       | -8,257       | -8,816       | -8,271       | -7,749       | -10,246      | 32%        | 24%        |
| <b>Gross profit</b>                       | <b>4,318</b> | <b>5,166</b> | <b>5,717</b> | <b>5,889</b> | <b>5,853</b> | <b>6,206</b> | <b>6%</b>  | <b>20%</b> |
| GPM%                                      | 39%          | 38%          | 39%          | 42%          | 43%          | 38%          | -5%        | -1%        |
| <b>Operating expenses</b>                 |              |              |              |              |              |              |            |            |
| Tax other than income tax                 | -66          | -102         | -136         | -171         | -150         | -164         | 10%        | 61%        |
| Sales/Marketing/Advertising expenses      | -304         | -367         | -365         | -380         | -352         | -437         | 24%        | 19%        |
| General and administrative expenses       | -394         | -418         | -602         | -621         | -447         | -623         | 40%        | 49%        |
| <b>EBIT</b>                               | <b>3,555</b> | <b>4,278</b> | <b>4,614</b> | <b>4,717</b> | <b>4,904</b> | <b>4,981</b> | <b>2%</b>  | <b>16%</b> |
| EBIT margin                               | 32%          | 32%          | 32%          | 33%          | 36%          | 30%          | -6%        | -2%        |
| Total financial costs                     | -207         | -243         | -267         | -212         | -248         | -173         | -30%       | -29%       |
| Write-down/Impairment of fixed assets     | -72          | -89          | -48          | -95          | -76          | 29           | -139%      | -133%      |
| Other operating income                    | 0            | 106          | 32           | 765          | 578          | 267          | -54%       | 152%       |
| Investment Income                         | 23           | 33           | 24           | 46           | 30           | 24           | -19%       | -27%       |
| <b>Profits from operations (reported)</b> | <b>3,298</b> | <b>4,085</b> | <b>4,354</b> | <b>5,221</b> | <b>5,188</b> | <b>5,129</b> | <b>-1%</b> | <b>26%</b> |
| Other non-operating income                | 55           | -40          | 2            | 1            | 2            | 2            | 26%        | -105%      |
| Other non-operating expenses              | -2           | -7           | -55          | -165         | -5           | -10          | 83%        | 44%        |
| <b>Profit before tax</b>                  | <b>3,351</b> | <b>4,039</b> | <b>4,302</b> | <b>5,058</b> | <b>5,184</b> | <b>5,121</b> | <b>-1%</b> | <b>27%</b> |
| Income tax expense                        | -764         | -817         | -847         | -1,013       | -1,051       | -1,025       | -2%        | 25%        |
| Effective tax rate (%)                    | 23%          | 20%          | 20%          | 20%          | 20%          | 20%          | -1%        | -1%        |
| <b>Profit after tax</b>                   | <b>2,588</b> | <b>3,222</b> | <b>3,455</b> | <b>4,045</b> | <b>4,134</b> | <b>4,096</b> | <b>-1%</b> | <b>27%</b> |
| Minority income                           | 393          | 556          | 503          | 723          | 588          | 692          | 18%        | 25%        |
| MI as %                                   | 15%          | 17%          | 15%          | 18%          | 14%          | 17%          | 19%        | -2%        |
| <b>Net income</b>                         | <b>2,195</b> | <b>2,666</b> | <b>2,952</b> | <b>3,322</b> | <b>3,546</b> | <b>3,404</b> | <b>-4%</b> | <b>28%</b> |
| <b>Net margin %</b>                       | <b>20%</b>   | <b>20%</b>   | <b>20%</b>   | <b>23%</b>   | <b>26%</b>   | <b>21%</b>   | <b>-5%</b> | <b>1%</b>  |
| EPS (RMB/share) - Basic                   | 0.80         | 0.99         | 1.08         | 1.21         | 1.30         | 1.24         | -5%        | 25%        |
| EPS (RMB/share) - Diluted                 | 0.80         | 0.99         | 1.08         | 1.21         | 1.30         | 1.24         | -5%        | 25%        |

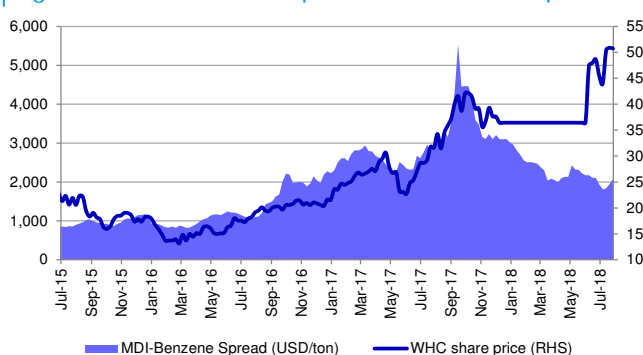
Source: Company data, Deutsche Bank

Figure 2: MDI - Aniline spread vs. WHC share price



Source: Bloomberg Finance LP, WIND, Deutsche Bank

Figure 3: MDI - Benzene spread vs. WHC share price



Source: Bloomberg Finance LP, WIND, Deutsche Bank



Figure 4: 12-month forward P/B



Figure 5: 12-month forward EV/EBITDA

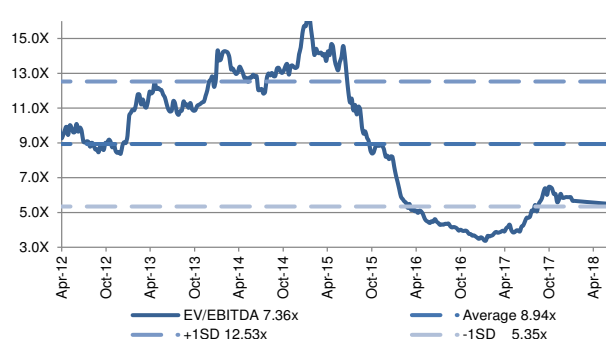


Figure 6: Refining & chemical comp sheet

| Name                       | Reuters Ticker | DB Rating | Trading Ccy | 27-Jul Price | Target Price | Potential Upside | Mkt Cap (USD mn) | P/E (x) | P/B (x) | EV/EBITDA (x) | ROE (%) | Dvd yield (%) | FCF Yield (%) |
|----------------------------|----------------|-----------|-------------|--------------|--------------|------------------|------------------|---------|---------|---------------|---------|---------------|---------------|
| North Asia Chemical        |                |           |             |              |              |                  |                  |         |         |               |         |               |               |
| Formosa Petrochemical      | 6505.TW        | NR        | TWD         | 120.00       | NA           | NA               | 37,061           | 15.8    | 17.1    | 3.2           | 3.1     | 10.5          | 11.1          |
| LG Chem                    | 051910.KS      | Buy       | KRW         | 374,500      | 460,000      | 23%              | 23,820           | 14.1    | 12.6    | 0.0           | 6.1     | 5.5           | 11.5          |
| Nan Ya Plastics            | 1303.TW        | NR        | TWD         | 84.10        | NA           | NA               | 21,832           | 12.6    | 13.4    | 1.8           | 1.7     | 14.1          | 15.2          |
| Formosa Plastics           | 1301.TW        | NR        | TWD         | 110.50       | NA           | NA               | 23,205           | 13.5    | 13.4    | 2.0           | 1.9     | 19.1          | 19.1          |
| Formosa C&F                | 1326.TW        | NR        | TWD         | 118.50       | NA           | NA               | 22,707           | 13.0    | 13.5    | 1.9           | 1.8     | 11.8          | 12.2          |
| Lotte Chemical             | 011170.KS      | Hold      | KRW         | 352,500      | 396,000      | 12%              | 10,860           | 5.6     | 5.5     | 0.0           | 2.7     | 2.5           | 17.4          |
| SPC - H                    | 0338.HK        | Buy       | HKD         | 4.81         | 6.00         | 25%              | 9,094            | 7.6     | 7.5     | 1.5           | 1.4     | 4.5           | 4.3           |
| SPC - A                    | 600688.SS      | Sell      | CNY         | 5.34         | 4.90         | -8%              | 9,094            | 9.7     | 9.6     | 1.9           | 1.7     | 4.5           | 4.3           |
| Wanhua Chemical            | 600309.SS      | Buy       | CNY         | 50.75        | 53.00        | 4%               | 12,741           | 12.9    | 11.7    | 4.2           | 3.4     | 7.5           | 6.6           |
| Hanwha Chemical            | 009830.KS      | Hold      | KRW         | 21,300       | 27,000       | 27%              | 3,073            | 4.5     | 4.1     | 0.0           | 2.6     | 1.8           | 12.1          |
| Kumho Petrochemical        | 011780.KS      | Buy       | KRW         | 108,500      | 141,000      | 30%              | 3,041            | 9.9     | 9.4     | 1.5           | 1.3     | 6.2           | 5.4           |
| TSRC                       | 2103.TW        | NR        | TWD         | 31.75        | NA           | NA               | 857              | 20.1    | 15.9    | 1.7           | 1.6     | 10.9          | 9.5           |
| OUCC                       | 1710.TW        | NR        | TWD         | 32.70        | NA           | NA               | 947              | 12.0    | 12.9    | 1.8           | 1.7     | 7.9           | 8.7           |
| Hansol Chemical            | 014680.KS      | NR        | KRW         | 77,600       | NA           | NA               | 785              | 11.7    | 9.8     | 2.3           | 1.9     | 8.3           | 7.2           |
| Weighted average           |                |           |             |              |              |                  |                  | 12.7    | 12.7    | 1.9           | 1.8     | 10.1          | 10.2          |
| SE Asia Chemical           |                |           |             |              |              |                  |                  |         |         |               |         |               |               |
| Reliance Industries        | RELI.BO        | Buy       | INR         | 1,128        | 1,220        | 8%               | 106,081          | 16.0    | 14.7    | 2.2           | 1.9     | 10.4          | 9.1           |
| Siam Cement                | SCCBK          | Buy       | THB         | 452.00       | 517.00       | 14%              | 17,917           | 10.9    | 10.3    | 1.9           | 1.7     | 7.5           | 7.3           |
| Petronas Chemicals         | PCGC.KL        | NR        | MYR         | 8.84         | NA           | NA               | 17,453           | 17.2    | 16.5    | 2.3           | 2.2     | 9.4           | 9.0           |
| PTTGC                      | PTTGC.BK       | Buy       | THB         | 81.50        | 100.00       | 23%              | 11,036           | 9.1     | 9.2     | 1.2           | 1.2     | 5.7           | 5.4           |
| IRPC                       | IRPC.BK        | Buy       | THB         | 6.40         | 7.90         | 23%              | 3,391            | 10.7    | 9.4     | 1.4           | 1.3     | 7.0           | 6.3           |
| Indorama                   | IVLBK          | Buy       | THB         | 60.00        | 67.00        | 12%              | 9,998            | 14.8    | 12.3    | 2.3           | 2.0     | 7.8           | 6.4           |
| Chandra Asri               | TPJA.JK        | Hold      | IDR         | 4,980        | 5,310        | 7%               | 5,993            | 16.5    | 17.5    | 3.4           | 3.1     | 9.8           | 10.7          |
| Lotte Chemical Titan       | LOTT.KL        | NR        | MYR         | 5.16         | NA           | NA               | 2,891            | 11.0    | 9.8     | 0.9           | 0.9     | 4.5           | 4.3           |
| Weighted average           |                |           |             |              |              |                  |                  | 14.9    | 13.9    | 2.1           | 1.9     | 9.4           | 8.5           |
| Global Refining & Chemical |                |           |             |              |              |                  |                  |         |         |               |         |               |               |
| DowDuPont                  | DWDP.N         | Buy       | USD         | 68.37        | 76.00        | 11%              | 162,853          | 16.9    | 14.6    | 1.6           | 1.6     | 9.5           | 8.9           |
| BASF                       | BASF.DE        | Buy       | EUR         | 82.34        | 105.00       | 28%              | 91,301           | 13.1    | 11.6    | 2.1           | 1.9     | 8.0           | 7.1           |
| SABIC (SAR)                | 2010.SE        | NR        | SAR         | 129.80       | NA           | NA               | 78,828           | 18.7    | 18.3    | 2.1           | 2.0     | 8.4           | 8.0           |
| LyondellBasell             | LYB.N          | Hold      | USD         | 109.49       | 116.00       | 6%               | 36,617           | 9.6     | 9.7     | 3.8           | 3.2     | 7.0           | 7.0           |
| PPG                        | PPG.N          | Buy       | USD         | 109.44       | 124.00       | 13%              | 27,628           | 17.5    | 15.5    | 5.7           | 5.5     | 11.6          | 10.9          |
| Covestro                   | 1COV.DE        | Buy       | EUR         | 82.36        | 102.00       | 24%              | 16,230           | 7.6     | 7.6     | 2.6           | 2.1     | 4.7           | 4.8           |
| Industries Qatar (QAR)     | IQCD.QA        | NR        | QAR         | 121.06       | NA           | NA               | 16,847           | 15.9    | 15.7    | 1.9           | 1.8     | 59.1          | 56.2          |
| Weighted average           |                |           |             |              |              |                  |                  | 15.0    | 13.7    | 2.4           | 2.2     | 10.1          | 9.5           |

Source: Bloomberg Finance LP, Deutsche Bank estimates; Note: Bloomberg consensus estimates for non-rated (NR) companies



Model updated: 14 March 2018

### Running the numbers

Asia

China

Chemicals

### Wanhua Chemical

Reuters: 600309.SS Bloomberg: 600309 CH

### Buy

Price (30 Jul 18) CNY 51.59

Target Price CNY 53.00

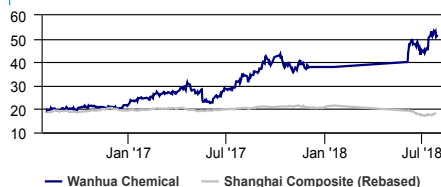
52 Week range CNY 31.44 - 53.31

Market cap (m) CNYm 141,048  
USDm 20,701

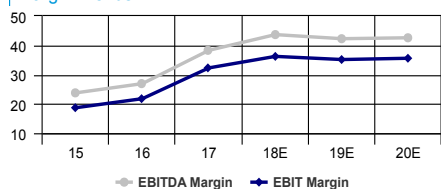
### Company Profile

Wanhua Chemical Group Co. Ltd (WHC) was founded in 1998. The company engages in the production, sales, R&D of downstream chemical products such as isocyanate, polyol, and polyurethane. WHC is the largest MDI producer in the world with more than 24% market shares globally as of 2016. Moreover, the company started six new business segments, including intermediate chemicals products, polycarbonate (PC).

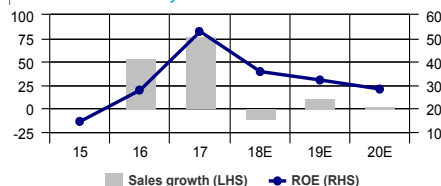
### Price Performance



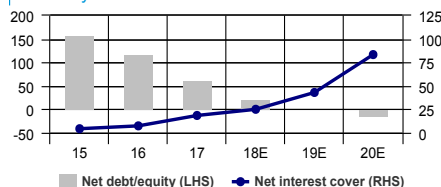
### Margin Trends



### Growth & Profitability



### Solvency



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Fiscal year end 31-Dec

### Financial Summary

|                             | 2015   | 2016   | 2017    | 2018E   | 2019E   | 2020E   |
|-----------------------------|--------|--------|---------|---------|---------|---------|
| DB EPS (CNY)                | 0.62   | 1.42   | 4.08    | 4.00    | 4.41    | 4.65    |
| Reported EPS (CNY)          | 0.62   | 1.42   | 4.08    | 4.00    | 4.41    | 4.65    |
| DPS (CNY)                   | 0.17   | 0.44   | 1.50    | 1.60    | 1.76    | 1.86    |
| BVPS (CNY)                  | 4.5    | 5.7    | 10.0    | 12.4    | 15.0    | 17.8    |
| Weighted average shares (m) | 2,595  | 2,595  | 2,728   | 2,734   | 2,734   | 2,734   |
| Average market cap (CNYm)   | 54,994 | 45,932 | 86,114  | 141,048 | 141,048 | 141,048 |
| Enterprise value (CNYm)     | 81,640 | 70,766 | 107,738 | 154,539 | 148,416 | 142,513 |

### Valuation Metrics

|                    |      |      |      |      |      |      |
|--------------------|------|------|------|------|------|------|
| P/E (DB) (x)       | 34.2 | 12.5 | 7.7  | 12.9 | 11.7 | 11.1 |
| P/E (Reported) (x) | 34.2 | 12.5 | 7.7  | 12.9 | 11.7 | 11.1 |
| P/BV (x)           | 3.96 | 3.77 | 3.79 | 4.17 | 3.43 | 2.90 |
| FCF Yield (%)      | nm   | nm   | 5.0  | 11.0 | 9.8  | 9.8  |
| Dividend Yield (%) | 0.8  | 2.5  | 4.8  | 3.1  | 3.4  | 3.6  |
| EV/Sales (x)       | 4.2  | 2.4  | 2.0  | 3.3  | 2.8  | 2.6  |
| EV/EBITDA (x)      | 17.6 | 8.7  | 5.3  | 7.5  | 6.6  | 6.1  |
| EV/EBIT (x)        | 22.4 | 10.8 | 6.3  | 9.0  | 8.0  | 7.3  |

### Income Statement (CNYm)

|                                     |        |        |        |        |        |        |
|-------------------------------------|--------|--------|--------|--------|--------|--------|
| Sales revenue                       | 19,492 | 30,100 | 53,123 | 47,475 | 53,041 | 54,600 |
| Gross profit                        | 5,872  | 9,355  | 21,090 | 20,576 | 22,418 | 23,315 |
| EBITDA                              | 4,637  | 8,108  | 20,349 | 20,732 | 22,420 | 23,252 |
| Depreciation                        | 934    | 1,473  | 3,033  | 3,361  | 3,586  | 3,617  |
| Amortisation                        | 55     | 73     | 152    | 169    | 185    | 201    |
| EBIT                                | 3,648  | 6,562  | 17,163 | 17,203 | 18,648 | 19,435 |
| Net interest income/(expense)       | -841   | -890   | -929   | -687   | -434   | -233   |
| Associates/affiliates               | 0      | 0      | 0      | 0      | 0      | 0      |
| Exceptionals/extraordinaries        | 5      | -74    | 598    | 0      | 0      | 0      |
| Other pre-tax income/(expense)      | 143    | 57     | -84    | -57    | -73    | -72    |
| Profit before tax                   | 2,954  | 5,655  | 16,748 | 16,458 | 18,141 | 19,129 |
| Income tax expense                  | 675    | 1,105  | 3,440  | 3,381  | 3,727  | 3,930  |
| Minorities                          | 670    | 869    | 2,175  | 2,137  | 2,355  | 2,484  |
| Other post-tax income/(expense)     | 0      | 0      | 0      | 0      | 0      | 0      |
| Net profit                          | 1,610  | 3,681  | 11,133 | 10,940 | 12,059 | 12,716 |
| DB adjustments (including dilution) | 0      | 0      | 0      | 0      | 0      | 0      |
| DB Net profit                       | 1,610  | 3,681  | 11,133 | 10,940 | 12,059 | 12,716 |

### Cash Flow (CNYm)

|                                      |        |        |        |        |        |        |
|--------------------------------------|--------|--------|--------|--------|--------|--------|
| Cash flow from operations            | 4,021  | 4,602  | 10,210 | 19,060 | 17,471 | 17,448 |
| Net Capex                            | -9,050 | -5,097 | -5,917 | -3,600 | -3,600 | -3,600 |
| Free cash flow                       | -5,029 | -495   | 4,294  | 15,460 | 13,871 | 13,848 |
| Equity raised/(bought back)          | 0      | 0      | 2,487  | 0      | 0      | 0      |
| Dividends paid                       | -2,851 | -1,866 | -4,298 | -5,063 | -5,257 | -5,319 |
| Net inc/(dec) in borrowings          | 7,706  | 3,607  | 1,164  | -5,584 | -4,524 | -1,399 |
| Other investing/financing cash flows | 180    | -179   | 445    | -126   | -136   | -142   |
| Net cash flow                        | 6      | 1,068  | 4,092  | 4,687  | 3,954  | 6,988  |
| Change in working capital            | -1,079 | -69    | -7,515 | 1,640  | -1,285 | -1,944 |

### Balance Sheet (CNYm)

|                              |        |        |        |        |        |        |
|------------------------------|--------|--------|--------|--------|--------|--------|
| Cash and other liquid assets | 2,066  | 1,987  | 3,063  | 7,750  | 11,703 | 18,691 |
| Tangible fixed assets        | 20,046 | 28,468 | 27,610 | 26,945 | 26,179 | 25,471 |
| Goodwill/intangible assets   | 2,530  | 2,889  | 2,799  | 3,087  | 3,359  | 3,615  |
| Associates/investments       | 186    | 363    | 526    | 526    | 526    | 526    |
| Other assets                 | 22,976 | 17,058 | 31,830 | 31,708 | 33,383 | 36,040 |
| Total assets                 | 47,804 | 50,765 | 65,828 | 70,015 | 75,149 | 84,344 |
| Interest bearing debt        | 25,646 | 23,672 | 21,739 | 16,155 | 11,630 | 10,232 |
| Other liabilities            | 7,335  | 8,759  | 13,335 | 14,406 | 14,473 | 14,953 |
| Total liabilities            | 32,981 | 32,431 | 35,074 | 30,560 | 26,103 | 25,185 |
| Shareholders' equity         | 11,571 | 14,822 | 27,280 | 33,844 | 41,079 | 48,709 |
| Minorities                   | 3,252  | 3,512  | 3,475  | 5,611  | 7,967  | 10,451 |
| Total shareholders' equity   | 14,823 | 18,334 | 30,754 | 39,455 | 49,046 | 59,160 |
| Net debt                     | 23,580 | 21,685 | 18,676 | 8,405  | -73    | -8,459 |

### Key Company Metrics

|                        |       |       |       |       |      |       |
|------------------------|-------|-------|-------|-------|------|-------|
| Sales growth (%)       | nm    | 54.4  | 76.5  | -10.6 | 11.7 | 2.9   |
| DB EPS growth (%)      | na    | 128.7 | 187.7 | -2.0  | 10.2 | 5.4   |
| EBITDA Margin (%)      | 23.8  | 26.9  | 38.3  | 43.7  | 42.3 | 42.6  |
| EBIT Margin (%)        | 18.7  | 21.8  | 32.3  | 36.2  | 35.2 | 35.6  |
| Payout ratio (%)       | 26.9  | 30.9  | 36.8  | 40.0  | 40.0 | 40.0  |
| ROE (%)                | 14.5  | 27.9  | 52.9  | 35.8  | 32.2 | 28.3  |
| Capex/sales (%)        | 46.4  | 17.1  | 11.2  | 7.6   | 6.8  | 6.6   |
| Capex/depreciation (x) | 9.2   | 3.3   | 1.9   | 1.0   | 1.0  | 0.9   |
| Net debt/equity (%)    | 159.1 | 118.3 | 60.7  | 21.3  | -0.1 | -14.3 |
| Net interest cover (x) | 4.3   | 7.4   | 18.5  | 25.0  | 43.0 | 83.4  |

Source: Company data, Deutsche Bank estimates



# Appendix 1

## Important Disclosures

\*Other information available upon request

### Disclosure checklist

| Company         | Ticker    | Recent price*           | Disclosure |
|-----------------|-----------|-------------------------|------------|
| Wanhua Chemical | 600309.SS | 51.59 (CNY) 30 Jul 2018 | NA         |

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### Historical recommendations and target price. Wanhua Chemical (600309.SS)

(as of 07/30/2018)



#### Current Recommendations

Buy  
Hold  
Sell  
Not Rated  
Suspended Rating

\*\* Analyst is no longer at Deutsche Bank

|    |            |                                    |             |
|----|------------|------------------------------------|-------------|
| 1. | 08/11/2017 | Buy, Target Price Change CNY 42.00 | Vitus Leung |
| 2. | 10/19/2017 | Buy, Target Price Change CNY 47.50 | Vitus Leung |
| 3. | 03/14/2018 | Buy, Target Price Change CNY 53.00 | Vitus Leung |



## Equity Rating Key

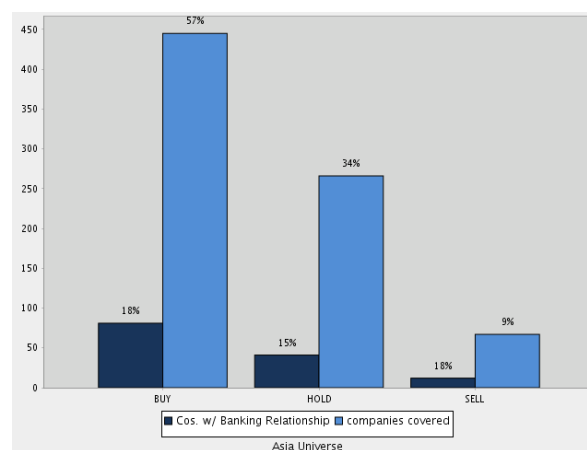
**Buy:** Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield ) , we recommend that investors buy the stock.

**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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