

March 25, 2014

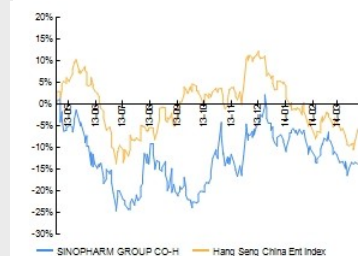
增持
维持

业绩略低于预期，但前景乐观，维持增持 国药控股 （1099 HK）

Market Data: Mar, 24

Closing Price (HK\$)	20.70
Price Target (HK\$)	24.6
HSCEI	9,695
HSCCI	4,045
52-week High/Low (HK\$)	25.80/18.06
Market Cap (USD Mn)	6,502
Market Cap (HK\$ Mn)	50,455
Shares Outstanding (Mn)	828
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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Related Reports

"Sinopharm (1099 HK) –Results miss, but 2014 outlook remains positive, maintain Outperform " Oct 31, 2013

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Financial summary and valuation

	2012	2013	2014E	2015E	2016E
Revenue (RMB million)	135,786.84	166,866.15	202,738.14	246,401.19	299,556.73
YOY (%)	33.16	22.89	21.50	21.54	21.57
Net income (RMB million)	3,080.14	3,526.79	4,318.26	5,308.18	6,563.52
YOY (%)	28.20	14.50	22.44	22.92	23.65
EPS (RMB)	0.82	0.89	1.06	1.30	1.61
Diluted EPS (RMB)	0.82	0.89	1.06	1.30	1.61
ROE (%)	13.42	12.33	13.46	14.59	15.71
Debt/asset (%)	71.71	72.87	73.23	73.49	73.65
Dividend Yield (%)	1.21	1.26	1.63	2.00	2.48
P/E (x)	19.64	18.09	15.23	12.39	10.02
P/B (x)	1.69	1.42	1.29	1.14	0.99
EV/EBITDA (x)	9.66	8.67	7.53	6.62	5.79

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

投资要点:

高财务费用导致业绩略低于预期，但增长健康。 销售和归属股东净利润分别增长 22.2%和 13.7%。净利润增长略低于我们预期主要是因为更高的财务费用。扣非后税前和税后净利润增长分别为~22%和~25%，显示了健康的增长。每股派息 0.26 人民币，派息率为 30%。

毛利率稳定。 毛利率维持在 8%不变，证实了我们的观点以及公司维持稳定毛利率的能力。药品降价使得毛利率继续承压，但公司已经采取一些措施例如 1) 增加毛利率高于进口药的国产药销售比例（目前~54%）；2) 增加毛利率高于非直销业务的医院直销销售占比（目前~54%）；3) 增加毛利率较高的如疫苗、血制品、高值医疗器械和耗材等非药品销售占比（目前~2%）来维持稳定毛利率。未来我们认为稳定的毛利率通过这些措施是可以实现的。

整合继续有效。 销管费用率降至 4.5%（2012 为 4.6%），证实了我们的观点以及清楚的表明整合继续有效。经过几年的大力并购之后，公司决定 2012 年开始聚焦整合。主要措施包括 1. 集合采购（例如推进集合采购，统一配送和统一结算）；2. 统筹资金管理（例如统筹资金运用，统一融资平台，统一对外担保，优化资金使用效率）；3. 统一物流平台和信息系统（例如建立全国多仓运营，统一后台信息系统）。公司的管理经营已经受益于这些措施，我们认为公司未来会继续采取这些措施改善管理经营效率，销管费用率将继续呈下降趋势。

经营性现金流健康。 经营性现金流增长 28.2%，高于销售和利润增长，证实了我们的观点以及清楚的表明公司改善现金流的措施是成功的。这些措施包括 1. 对客户进行精细化管理，提高现金流入；2. 发挥集合采购的规模优势与供应商协商，降低整体库存余额，尽可能延长付款期限；3. 对供应商的付款上多采用票据，减少应收票据的积压和现金流出。我们预计由于这些有效措施经营性现金流将继续改善。

国药将受益于更快的行业整合。 政府已经发布了诸如《药品批发企业物流服务能力评估指标》和《药品经营质量管理规范》等行业规范明确表明要淘汰规模小和经营不佳的企业以及加速行业整合的意图。作为唯一拥有全国销售网络的中国最大的药品分销商，国药将受益于更快的行业整合并更快的扩张市场份额。目前国

药占有 16%市场份额，前三大分销商占有 29%市场份额，考虑到美国前三大占有超过 95%的市场份额，我们认为国药仍有巨大增长空间。

国药将会受益于医院药房托管的扩大。国药已经在跟一些医院合作托管药房。对医院和国药来说初步结果已经产生好处，国药可以大幅扩大其在这类药房的配送份额。随着医改的深化，我们相信更多医院愿意和国药等龙头分销商合作。

下调盈利预测和目标价，维持增持。我们下调 2014-15 年 EPS 预测至人民币 1.06/1.30（之前为 1.18/1.47）以反映更高的财务费用，目标价至港币 24.6（之前为 30.2）的目标价。考虑到目前 15.3 倍 14 年市盈率和 0.7 倍 PEG 以及行业平均 26 倍 14 年市盈率，估值有吸引力，目标价存有 19%上升空间，维持增持。该股票尤其适合对快速增长的中国医药行业以及国药在医药分销行业的龙头地位带来的优势有信心的长期投资者。

Investment Highlights:

Results slightly miss, but growth remains healthy. Sinopharm's 2013 revenue grew by 22.2% YoY to Rmb166.9bn while earnings rose by 13.7% to Rmb2.3bn. Net profit slightly missed our expectation by 5% due to higher-than-expected financing costs. Excluding one-offs, net profit growth before and after tax reached c.22% and c.25% respectively, demonstrating healthy growth. A final dividend of Rmb0.26 per share was declared, representing a 30% payout ratio.

Margins remain stable. Gross margin remained unchanged at 8.0%, confirming our view of the company's ability to maintain a stable gross margin, although drug price cuts may be an issue. However, we are encouraged to see Sinopharm's higher sales proportion of domestic drugs (currently c.54%), which carry a higher margin than foreign drugs and higher direct sales to hospitals (currently c.54%), which also enjoy higher margins than non-direct sales. In addition, increasing the sales of non-drugs (currently c.2%) such as vaccines, blood products, high-value medical devices and consumables also helped stabilise gross margin.

Integration continues to yield results. SG&A decreased to 4.5% of sales (vs 4.6% in 2012), confirming our view that integration continues to yield positive results. After a few years of aggressive acquisitions, the company focused on integration in 2012. Major measures include consolidating purchases (ie, facilitate consolidated purchased, delivery and clearing), consolidating cash management (ie, consolidate cash use, financing platform, external guarantees and optimise capital efficiency) and consolidate logistics platform and information systems (ie, build multi-warehouses nationwide, consolidate back-office information systems). Management and operations have benefited from these measures and we believe that SG&A will continue to trend down as a result.

Robust operating cash flow. Operating cash flow grew by 28.2%, beating both sales and net profit growth. This improvement stems from detailed management of client accounts, increased bargaining power with suppliers, improved inventory management, prolonging payment periods and making payments to suppliers with more notes to reduce the amount of account receivables and cash outflow. We expect operating cash flow to continue to improve as a result.

Beneficiary of faster industry consolidation. The government has issued a few industry regulations including "Pharmaceutical Wholesale Enterprise Logistics Service Capability Assessment Indicators" and "Good Supply Practices for Pharmaceutical Products", demonstrating its intention to eliminate small and inefficient players and accelerate industry consolidation. As China's largest pharmaceutical distributor with the only national distribution network, it will benefit from faster industry consolidation and rapidly expand market share.

Currently Sinopharm holds a 16% market share and the top three players account for 29%. Given that the top three players hold a 95%-plus market share in the US, we believe Sinopharm still has huge growth potential.

Expansion of hospital pharmacy store trusteeship. Sinopharm is cooperating with certain hospitals to manage their pharmacy stores. Preliminary results have yielded benefits for both hospitals and Sinopharm, which has significantly expanded its distribution coverage to these pharmacy stores. As healthcare reform advances further, we believe more hospitals are willing to cooperate with leading distributors such as Sinopharm.

Revising down earnings and target price, maintain Outperform. We revise down our EPS forecasts from Rmb1.18 to Rmb1.06 for 14E and from Rmb1.47 to Rmb1.30 for 15E to reflect higher financing costs. As such, our target price is revised down from HK\$30.2 to HK\$24.6, which implies 19% upside. Valuations remain attractive at 15.3x 14E PE with a 0.7x PE/G vs sector average of 26x 13PE. The stock especially suits long-term investors who have confidence on China's fast growing healthcare industry and Sinopharm's advantages arising from its leading position in pharmaceutical distribution industry. Maintain Outperform.

Appendix

Consolidated Income Statement

RMB Mn	2012	2013	2014E	2015E	2016E
Revenue	135,787	166,866	202,738	246,401	299,557
Pharmaceutical distribution	128,143	157,864	192,594	234,965	286,658
Retail pharmacy	4,114	4,833	5,558	6,392	7,351
Others	4,245	4,169	4,586	5,044	5,549
Cost of Sales	124,844	153,515	186,588	226,842	275,845
Pharmaceutical distribution	119,506	146,972	179,209	218,518	266,448
Retail pharmacy	3,085	3,625	4,169	4,794	5,513
Others	2,972	2,918	3,210	3,531	3,884
Gross Profit	10,943	13,352	16,151	19,559	23,712
Other Income	219	289	304	296	300
Selling/General/Admi.Expenses	6,298	7,566	9,022	10,718	12,731
EBITDA	5,532	6,846	8,396	10,293	12,600
EBIT	4,644	5,786	7,129	8,840	10,980
Finance Costs	1,272	1,660	2,027	2,464	2,996
Profit before tax	4,863	6,075	7,433	9,136	11,280
Income tax expense	934	1,067	1,290	1,586	1,961
Minority interests	1,106	1,330	1,598	1,964	2,429
Profit for the year	3,080	3,527	4,318	5,308	6,564

Consolidated Cash Flow Statement

RMB Mn	2012	2013	2014E	2015E	2016E
Profit before taxation	4,014	4,594	5,608	6,894	8,524
Plus: Depr. and amortisation	887	1,060	1,267	1,452	1,620
Finance cost	1,272	1,660	2,027	2,464	2,996
Losses from investments	0	0	0	0	0
Change in working capital	(5,057)	(7,976)	(4,470)	(6,042)	(7,356)
Others	649	1,157	1,238	1,534	2,102
CF from operating activities	4,017	(1,639)	3,091	3,132	3,965
CAPEX	1,500	3,000	2,500	2,500	2,000
Other CF from investing activities	(75)	(207)	(76)	(89)	(97)
CF from investing activities	(2,209)	(3,207)	(2,576)	(2,589)	(2,097)
Equity financing	0	0	0	0	0
Net change in liabilities	0	10,059	0	0	0
Dividend and interest paid	(1,870)	(2,707)	(3,323)	(4,056)	(4,965)
Other CF from financing activities	41	60	80	51	52
CF from financing activities	(5,178)	7,412	(3,243)	(4,005)	(4,913)
Net cash flow	(3,369)	2,565	(2,728)	(3,462)	(3,045)
FCFF	1,041	803	5,136	5,166	5,284
FCFE	(231)	9,202	3,109	2,701	2,288

Consolidated Balance Sheet

RMB Mn	2012	2013	2014E	2015E	2016E
Current Assets	67,266	89,713	102,078	117,694	137,772
Bank balances and cash	9,802	14,002	11,274	7,811	4,766
Trade and other receivables	41,991	55,966	66,971	81,477	99,053
Inventories	13,865	16,702	20,732	25,205	30,649
Other current assets	0	0	0	0	0
Long-term investment	1,367	1,933	2,004	2,084	2,173
PP&E	5,412	6,311	7,816	9,008	9,578
Intangible and other assets	5,551	5,603	5,504	5,359	5,170
Total Assets	81,127	105,453	119,419	136,271	156,926
Current Liabilities	51,155	70,841	81,689	94,725	110,584
Borrowings	10,948	21,007	21,007	21,007	21,007
Trade and other payables	39,854	49,372	60,190	73,175	88,982
Other current liabilities	16	37	12	13	14
Long-term liabilities	6,432	5,404	6,630	6,730	6,830
Total Liabilities	58,179	76,842	87,769	100,856	116,764
Minority Interests	5,665	6,796	8,394	10,358	12,786
Shareholder Equity	22,949	28,611	31,650	35,416	40,162
Share Capital	2,403	2,568	2,568	2,568	2,568
Reserves	14,881	19,247	22,868	24,669	26,987
Equity attributable	17,284	21,816	25,436	27,238	29,556
Total Liabilities and equity	81,127	105,453	119,030	135,883	156,537

Key Financial Ratios

	2012	2013	2014E	2015E	2016E
Ratios per share (yuan)					
Earnings per share	0.82	0.89	1.06	1.30	1.61
Diluted EPS	0.82	0.89	1.06	1.30	1.61
Operating CF per share	1.67	(0.65)	1.20	1.22	1.54
Dividend per share	0.25	0.41	0.50	0.62	0.77
Net assets per share	9.55	11.34	12.32	13.79	15.64
Key Operating Ratios(%)					
ROIC	15.43	14.25	14.54	15.59	16.76
ROE	13.42	12.33	13.64	14.99	16.34
Gross profit margin	8.06	8.00	7.97	7.94	7.92
EBITDA Margin	4.07	4.10	4.14	4.18	4.21
EBIT Margin	3.42	3.47	3.52	3.59	3.67
Growth rate of Revenue(YoY)	32.83	22.89	21.50	21.54	21.57
Growth rate of Profit(YoY)	28.20	14.50	22.44	22.92	23.65
Debt-to-asset ratio	71.71	72.87	73.50	74.01	74.41
Turnover rate of net assets	5.92	5.83	6.49	7.03	7.53
Turnover rate of total assets	1.67	1.58	1.70	1.81	1.91
Effective tax rate (%)	24.10	23.22	23.00	23.00	23.00
Dividend yield (%)	1.21	2.00	2.44	3.00	3.70
Valuation Ratios (X)					
P/E	19.69	18.1	15.3	12.4	10.0
P/B	1.69	1.4	1.3	1.2	1.0
EV/Sale	0.39	0.36	0.31	0.28	0.25
EV/EBITDA	9.68	8.69	7.60	6.73	5.93

Source: SWS Research

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