

## Chemicals

April 23, 2010

## Fufeng Group (0546.HK)

- RMB 1025Mn CB issuance completed, stock still undervalued, 2010 TP raised to HKD 9.03

## BUY

Unchanged

## Market Data: April 22

Closing Price (HKD)	6.48
Price Target (HKD)	9.03
HSCEI	12331
52-week High/Low (HKD)	6.59/1.05
Market Cap (HKD Mn)	10757
Shares Outstanding (Mn)	1660
Exchange Rate (CNY/HKD)	0.88

## Price Performance Chart:



Source: Bloomberg

## Related Research:

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## Financial summary and valuation:

	2008	2009	2010E	2011E	2012E
Revenue (RMB Mn)	3585.34	4632.88	6127.34	8122.28	10486.88
YOY (%)	46.60	29.22	32.26	32.56	29.11
Net income (RMB Mn)	294.71	928.29	1091.42	1389.03	1754.74
YOY (%)	553.89	214.98	17.57	27.27	26.33
EPS (RMB)	0.18	0.56	0.66	0.84	1.06
Diluted EPS (RMB)	0.18	0.56	0.66	0.84	1.06
ROE (%)	16.92	38.78	34.62	34.07	33.74
Debt/asset (%)	18.02	14.03	35.20	29.34	20.37
Dividend Yield (%)	1.55	2.32	3.47	4.42	5.58
P/E (x)	32.02	10.16	8.65	6.79	5.38
P/B (x)	5.42	3.94	2.99	2.31	1.81
EV/EBITDA (x)	26.33	9.24	7.20	5.33	3.96

Note: Diluted EPS is calculated 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

## Short Comment:

- Yesterday Fufeng announced that Joint Lead Managers have exercised the Option in full for RMB205Mn (equivalent to approximately US\$30Mn) in principal amount of Option Bonds, bringing the total issue size of convertible bonds to RMB1025Mn (equivalent to approximately US\$150.1Mn) in aggregate principal amount of Bonds. The company's stock has gained 31.17% since our recommendation on Feb.12, 2010.
- The company completed an issuance of 4.5% convertible bonds of RMB 820Mn on April 1, 2010 and granted to the Joint Lead Managers an option to subscribe for all or any of the Option Bonds up to a further aggregate principal amount of RMB205Mn (equivalent to approximately US\$30Mn). The exercise of this option indicates that investors are holding very positive outlook for the company.
- We still believe the company has its own competitive advantages in terms of production capacity and cost control. The company's strategy to transform itself from an industrial product manufacturer (glutamate acid) to a consumer product manufacturer (MSG) is raising the company's valuation. The stock's past two-month performance has indicated that the market has gradually recognized the true value of the company. We still believe in the company's strategy and execution. We believe the company should enjoy a higher valuation to reflect its transformation to a consumer product manufacturer, therefore we decided to give Fufeng a 12X 2010 PE, resulting in a TP of HKD 9.03 vs previous HKD 7.52, representing a 39.35% upside potential from current price HKD 6.48. We maintained our buy rating.

## 点评:

- 阜丰集团昨天宣布其联合承销商已经行使了全部期权债券总额为人民币 2 亿 5 百万 (约 3000 万美元), 这使得可转债总发行额达到人民币 10 亿 2 千 5 百万 (约 150.1 百万美元)。公司股票自我们 2 月 12 日推荐以来已经获得 31.17% 的回报。
- 公司在今年 4 月 1 日完成发行人民币 8 亿 2 千万的 4.5% 利率的可转债并授予联合承销商一项期权可用于申购部分或全部总额为人民币 2 亿 5 百万的期权可转债。行使这项期权反映了投资者对于该公司前景非常看好。
- 我们依然相信公司在产能和成本控制方面具有竞争优势。公司由工业品生产商转变为消费品生产商的战略正在提升公司估值。公司股票过去 2 个月的表现已经反映出市场逐步认识到公司的真正价值。我们依然相信公司的战略和执行力。我们认为公司应当享有更高的估值以反映其向消费品生产商的转变, 因此我们决定给予阜丰 2010 年 12 倍市盈率, 对应目标价由先前的港币 7.52 变为 9.03, 距离目前股价港币 6.48 有 39.35% 的上涨空间。我们维持买入评级。

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