

Chemicals**March 24, 2010****Fufeng Group (0546.HK)**

— 2009 result in line with our expectation, 2010 TP raised to HKD 7.52 with buy rating

BUY**Target Price: HKD 7.52****Short comment:**

- Fufeng Group released its 2009 result yesterday. The company's 2009 result was in line with our expectation. The revenue, net profit and EPS were RMB 4632.88Mn, 928.29Mn and 0.56, while our forecast were RMB 4682.98Mn, 927.99Mn and 0.56.
- Starting in 2010, the company will use all of its glutamate acid to produce MSG, the company will focus on selling MSG to consumers in the future. With the expansion of MSG production capacity and high price of MSG, we expect the MSG business to bring in more revenue in the future. We forecast 2010's MSG revenue will grow 73.16% due to sales volume and price increase. As the global economy recovers, the demand for xanthan gum will pick up, resulting in fast growth of xanthan gum business. We forecast 2010's xanthan gum revenue will grow 40.29%.
- The company is developing a series of new amino acid products and biomass based polymer products, we believe the new products will diversify the company's products and add future growth driver. We also have confidence on the company's cost control strategy, we expect the company's GPM to gradually improve over time.
- We revised our EPS forecast for 2010, 2011 from RMB 0.77 and 0.82 to RMB 0.66 and 0.84. The company is transforming itself from an industrial product manufacturer (glutamate acid) to a consumer product manufacturer (MSG), therefore we believe the company should enjoy a higher valuation. We gave the company a 10X 2010 PE and raised 2010 TP from HKD 6.14 to HKD 7.52, representing a 29.28% upside potential from current price HKD 5.82. We gave the company a buy rating.

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点评:

- 阜丰集团昨天发布了 2009 年业绩。公司 09 年业绩与我们的预期一致。公司的营业额，利润和 EPS 为人民币 4632.88 百万，928.29 百万和 0.56。我们的预测为人民币 4682.98 百万，927.99 百万和 0.56。
- 从 2010 年开始，公司将把全部自产的谷氨酸用于生产味精，公司在未来的重点将是向消费者销售味精产品。随着味精产能的扩张和价格处于高位，我们预计味精业务未来会为公司带来更多收入。我们预测由于销量和价格增加，2010 年味精业务的营业额将增长 73.16%。随着全球经济复苏，对黄原胶的需求将会上升，导致黄原胶业务的快速增长。我们预计 2010 年黄原胶业务将增长 40.29%。
- 公司正在研发一系列新氨基酸产品和基于生物质的多聚物产品，我们相信新产品将会使公司产品多样化并且增加了未来业绩增长的动力。我们也对公司成本控制战略怀有信心，我们预计今后公司的毛利率会逐步提升。
- 我们将 2010 和 2011 年的 EPS 预测从先前的人民币 0.77 和 0.82 修改为人民币 0.66 和 0.84。公司正在由一个工业品生产商（谷氨酸）变为一个消费品生产商（味精），因为我们相信公司应享有更高估值。我们给予公司 2010 年 10 倍市盈率并且将 2010 年目标价从港币 6.14 上调为港币 7.52，距离目前股价港币 5.82 有 29.28% 的上涨空间。我们给予公司买入评级。

Appendix

Table 1: Fufeng Earning Forecast

RMB Mn	2008	2009	2010E	2011E	2012E
Sales	3585.34	4632.88	6127.34	8122.28	10486.88
YoY	46.60%	29.22%	32.26%	32.56%	29.11%
COGS	2941.01	3233.28	4236.72	5581.90	7109.03
Gross profit	644.33	1399.61	1890.63	2540.39	3377.85
GPM	17.97%	30.21%	30.86%	31.28%	32.21%
Selling&distribution costs	166.41	215.72	287.99	381.75	492.88
General Admin expenses	141.96	194.91	257.35	341.14	440.45
Operating profit	325.38	1048.85	1345.29	1817.50	2444.52
Finance costs	42.66	25.25	61.27	81.22	104.87
Earning before tax	325.38	1023.60	1284.02	1736.28	2339.65
Tax	30.67	95.31	192.60	347.26	584.91
Earning after tax	294.71	928.29	1091.42	1389.03	1754.74
Net profit attributable to equity holders of the company	294.71	928.29	1091.42	1389.03	1754.74
Basic EPS(cents)	17.75	55.92	65.75	83.68	105.71
Diluted EPS(cents)	17.75	55.92	65.75	83.68	105.71
DPS (cents)	8.81	13.21	19.72	25.10	31.71

Source: SWS Research

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