

Yestar International Holdings

(2393.HK)

Revenue of medical film has surpassed that of color paper business for the first time

Rating:

Neutral

HONG KONG | COMPREHENSIVE | COMPANY RESULTS

At the first half of 2014, benefiting from the rapid growth of medical film and professional color paper, Yestar maintained a great developing trend. During this period, the profit of the company has increased 35% year-on-year to RMB 694 million, and its net profit has also risen 30.7% year-on-year to RMB 37 million. The gross profit rate has slightly decreased 1.6 percentage points to 15.7% mainly because there are some changes in product portfolio. Medical image business with relatively low gross profit rate has become the major source of profit during the period.

At the first half of 2014, the profit of medical film of Yestar International has reached RMB 337 million, a year-on-year growth of 55.2%, which has beyond the expectation. Meanwhile, the proportion of medical film income has reached 48.6%, which has surpassed that of color paper business (35.6%) for the first time, becoming the main revenue-earning department of Yestar.

As for another main business of Yestar —color paper business, it has gained RMB 247 million at the first half of 2014, a year-on-year growth of 10.7%, accounting for 35.6% of the total revenue. Among which the profit of professional paper business has increased 19.6% year on year to RMB 153 million, while that of color paper of fast processing store has decreased 1.5% year on year to RMB 94 million. Professional paper business has obviously played a leading role in color paper business. With efficient promotion and channel expansion, the company has remarkably promoted the sales volume of professional paper.

How we view this

The sources for the growth of Yestar are: medical film business, professional paper business and industrial imaging product. At the first half of 2014, these three businesses all maintained strong growth trend. Meanwhile, increase in profit proportion of medical film and potential acquisition of medical equipment company are promoting the transformation of the company to become an excellent medical equipment company. This is contributed to its valuation as well.

Investment Action

Share price of Yesta has increased almost 4 times since it listed last year. This is an amazing rise. And this also verifies our judgment in the IPO report: the market takes Yestar as an excellent comprehensive imaging service company. It is striving for rapid increase in its profit and high rise in its market share in this fast growing medical information service field. We believe that the rapid rise in its market value has relatively reflected the potential acquisition and increasing performance of the company. We grant Yestar International a "Neutral" rating with the target price of 7.2HK dollars in 12 months, roughly equivalent to 26 times of the expected price-earning ratio in 2015.

Target Price (HKD)	7.20
Forecast Dividend (HKD)	0.10
Closing Price (HKD)	7.49
Potential Upside	-2.50%

Company Description

Yestar International Holdings Company Limited is one of the leading providers of color photographic paper, and also the provider of medical and industrial imaging products in China. The company transforms color photographic paper into customized products through large shaft cutting, processing and package, to make photographic paper become color photographic paper, printing film for multiple imaging and medical imaging film. The company is the most important business partner of Fujifilm Group in China, while assisting to deal with fabrication and marketing of Fujifilm brand, it has sold private imaging products of Yes!Star brand since 2011. Currently, main products of Yestar International Holdings Company Limited can be divided into three categories: Traditional digital photographic paper, medical imaging product and industrial film.

Company Data

Raw Beta (Past 2yrs weekly data)	0.4865
Market Cap. (HKD Mn)	3,497
Ent. Value (HKD Mn)	3,336
52 week range(HKD)	1.52-7.52



Major Shareholders

1 Jeane Hartono	(%)	50.46
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Valuation Method

P/E

Analyst

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YESTAR (2393.HK)

26 August 2014

Key Financial Summary

FYE	<u>11A</u>	<u>12A</u>	<u>13A</u>	<u>14E</u>	<u>15E</u>
Revenue (RMB mn)	977	956	1,173	1,361	1,742
Net Profit, adj. (RMB mn)	47	56	65	88	103
EPS, adj. (RMB)	n.a.	0.17	0.18	0.19	0.22
P/E (X),adj.	n.a.	n.a.	9.72	30.57	26.12
BVPS (RMB)	n.a.	n.a.	0.73	0.99	1.05
P/B (X)	n.a.	n.a.	2.40	5.84	5.49
DPS (RMB)	n.a.	n.a.	0.07	0.07	0.08
Div. Yield (%)	n.a.	n.a.	4.00%	1.22%	1.39%

Source: Bloomberg, Yestar

*All multiples & yields based on historical price and current market price

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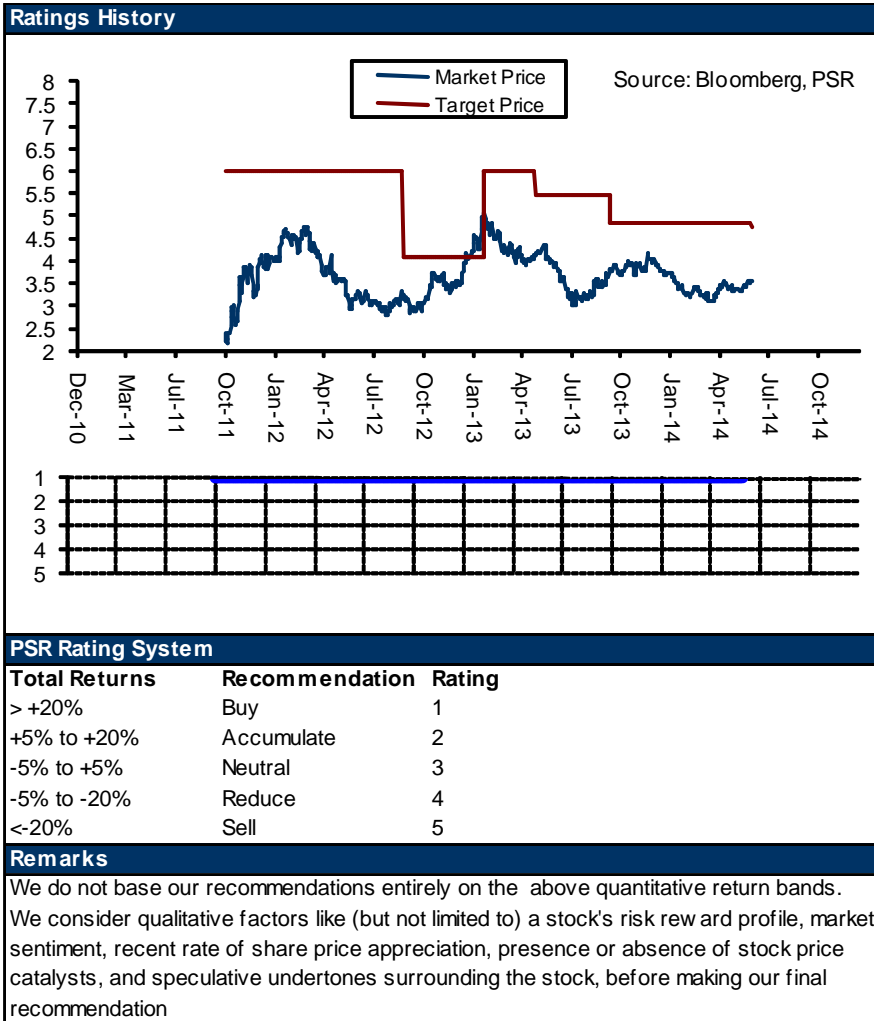
26 August 2014

FYE	FY10	FY11	FY12	FY13	FY14F	FY15F
Valuation Ratios						
P/E (X), adj.	n.a.	n.a.	n.a.	9.72	30.57	26.12
P/B (X)	n.a.	n.a.	n.a.	2.40	5.84	5.49
EV/EBITDA (X), adj.	n.a.	n.a.	n.a.	10.90	20.20	16.80
Dividend Yield (%)	n.a.	n.a.	n.a.	4.00%	1.22%	1.39%
Per share data (RMB)					5.76	5.76
EPS, reported	n.a.	n.a.	0.17	0.18	0.19	0.22
EPS, adj.	n.a.	n.a.	0.17	0.18	0.19	0.22
DPS	n.a.	n.a.	n.a.	0.07	0.07	0.08
BVPS	n.a.	n.a.	n.a.	0.73	0.99	1.05
Growth & Margins (%)						
Growth						
Revenue	n.a.	86.81%	-2.15%	22.70%	16.03%	27.99%
Operating profit	n.a.	143.33%	15.07%	17.86%	32.32%	17.15%
EBT	n.a.	155.56%	18.84%	14.63%	34.04%	17.46%
Net Income, adj.	n.a.	147.37%	19.15%	16.07%	35.38%	17.05%
Margins						
Gross profit margin	16.25%	16.68%	17.47%	17.82%	17.30%	16.68%
Operating margin	5.74%	7.47%	8.79%	8.44%	9.63%	8.81%
Net profit margin	3.63%	4.81%	5.86%	5.54%	6.47%	5.91%
Key Ratios						
ROE (%)	17.37%	29.86%	40.33%	19.54%	19.25%	21.01%
ROA (%)	5.69%	9.94%	9.62%	8.84%	8.52%	9.29%
Net Debt/(Cash)	net cash	net cash	net cash	net cash	net cash	net cash
Net Gearing (X)	net cash	net cash	net cash	net cash	net cash	net cash
Income Statement (RMB mn)						
	FY10	FY11	FY12	FY13	FY14F	FY15F
Revenue	523	977	956	1,173	1,361	1,742
Cost of sales	(438)	(814)	(789)	(964)	(1,126)	(1,451)
Gross profit	85	163	167	209	235	291
Operating profit	30	73	84	99	131	153
EBT	27	69	82	94	126	148
Tax	(6)	(21)	(24)	(28)	(37)	(44)
Tax rate	22.22%	30.43%	29.27%	29.79%	29.50%	30.00%
Profit for the year	22	48	58	65	88	104
Minority interests	2	1	2	0	0	1
Net profit	19	47	56	65	88	103

Source: BLOOMBERG, Yestar and Phillip Securities

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26 August 2014



PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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