



**Ausnutria Dairy Corporation Limited (1717.HK)**

18 July 2018

**SECTOR: Food & Beverage**

**HSI: 28,117.42**

**PRICE: HK\$9.72**

EARNINGS (reported in RMBm)					KEY DATA		
For the fiscal year ended	2015	2016	2017	2018E	2019E	Issued Capital (m Shrs)	1,332.3
Turnover	2,104	2,740	3,926	5,410	6,931	Market Cap (HK\$m)	12,949
Operating Profit	(22)	262	422	644	967	Avg. 6M Turnover (HK\$m)	16.9
Net Profit	51	213	308	506	762	52 Week High/Low (HK\$)	10.64 / 3
EPS (RMB)	0.05	0.17	0.25	0.37	0.50	Net Gearing (%)	18.89
% Change	(46.4%)	247.8%	44.4%	48.3%	37.0%	Book Value per Share (HK\$)	1.62
DPS (RMB)	0.03	0.04	0.08	0.12	0.15	Free Float (%)	36.10%
Dividend yield (%)	0.3%	0.5%	1.0%	1.4%	1.8%	Major Shareholder(s)	Central Laboratories Inc (40.55%) Dutch Dairy Investments (13.10%) Weibin Yan (8.80%)
PE Ratio (x)	37.93	16.23	15.87	22.79	16.63		

INTERIM RESULTS (reported in RMBm)			
Period	1H16	1H17	% change
Turnover	1,487	1,927	29.6%
Operating Profit	607	807	32.9%
Net Profit	121	174	43.7%
EPS (RMB)	0.10	0.14	40.0%

Note: Time-sensitive data and value were retrieved as at 18 July 2018

Source: Bloomberg, Company data, Platinum estimates

**SECTION 1 RESULTS BRIEFING**

**1Q18 – Growth Accelerated**

- First quarter of 2018 shows accelerating growth from last year. Ausnutria achieved revenue of RMB1.2b, an increase of 56.8% YoY. Revenue from cow infant formula products and goat infant formula products in China increased to a total of RMB931.1m, up 82.4% YoY. Net profit is expected to increase 54% YoY.
- Growth would have been higher stripping out an RMB57m one-off expense related to distribution (air freight) and quality control. Adjusted net profit in Q1 would be 125.4% YoY. GP margin has consistently improved for the last three financial years.
- Gross margin materially widened 6 ppts to 46.3% due to a higher contribution from self-branded products.
- Solid growth in revenue in FY17. Ausnutria achieved revenue of RMB3.9b, an increase of 43.3% YoY. Net profit was RMB334.8m, an increase of 43.1% YoY.
- Faster growth in goat infant formula business. For its self-branded infant formula business, revenue increased by 57.5% YoY to RMB2.9b in 2017. It contributed 74.4% of its total revenue. The revenue from goat infant formula products was RMB1.3b, an increase of 60.2% YoY. Self-branded formula is increasing its contribution to total revenue.
- Further overseas acquisitions. In May 2017, the Company acquired ADP Holdings and 50% stake of Ozfarm Australia for a total of A\$31m (including A\$10m loan to ADP). Ozfarm owns the number one maternal milk powder brand in Australia.