



Vitasoy International Holdings (345.HK)

18 October 2019

SECTOR: Food & Beverage

HSI: 26,709

PRICE: HK\$31.50

EARNINGS (reported in HK\$m)						KEY DATA	
For the fiscal year ended	2016	2017	2018	2019E	2020E	Issued Capital (m Shrs)	1,063.4
Turnover	5,552	5,406	6,465	7,585	8,668	Market Cap (HK\$m)	38,760
Operating Profit	597	843	812	1,040	1,145	Avg. 6M Turnover (HK\$m)	153.0
Net Profit	531	618	586	738	825	52 Week High/Low (HK\$)	47.25 / 23.2
EPS (HK\$)	0.51	0.59	0.56	0.78	0.91	Net Gearing (%)	(27.68)
% Change	41.8%	15.7%	(5.8%)	31.2%	7.0%	Book Value per Share (HK\$)	2.98
DPS (HK\$)	0.30	0.31	0.35	0.41	0.49	Free Float (%)	71.04%
Dividend yield (%)	0.8%	0.8%	1.0%	1.1%	1.3%	Major Shareholder(s)	Lo Family Trust 28.96%
PE Ratio (x)	28.4	26.2	36.4	40.4	34.6		Commonwealth Bank of Australia 11.98%

INTERIM RESULTS (reported in HK\$m)				
Period	1H18	1H19	% change	
Turnover	3,646	4,448	22.0%	
Operating Profit	1,922	2,408	25.3%	
Net Profit	397	518	30.5%	
Basic EPS (HK\$)	0.38	0.49	29.7%	

Note: Time-sensitive data and value were retrieved as at 18 Oct 2019

Source: Bloomberg, Company data, Platinum estimates

SECTION 1 Summary

Definitive Hong Kong F&B Brand But Is The Sugar High Over?

- 1.1. The largest soy milk company in the world with 12% market share in 2018 by retail value.
- 1.2. Vitasoy share price has peaked at 350% since August 2014 while the HSI has only increased 2.5%. Seemingly driven by profit growth, Vitasoy's net profit grew 120% from FY14 to FY19. The 78-year-old Hong Kong beverage business is the centre of attention and fandom for Chinese youths. *See SCMP "Cooler than marijuana? Hong Kong's iconic Vitasoy drinks brand is on a high thanks to Chinese memes."* Benefitting the brand and sales on the Mainland.
- 1.3. The global soy milk industry grew to US\$15.3b in 2018. The market is expected to grow at a CAGR of 6.3% from 2015 to 2019 according to Grand View Research Inc. The beverage market is expected to grow at half that rate. Frost & Sullivan forecasted a CAGR of 18.2% in 2014-2019E in China. With low per-capita consumption, there is plenty of room to grow.
- 1.4. Julian Arnold, U.S. trade attaché to China in 1937, called soybeans "The Cow of China." Alluding to the nutritional similarities contained in the legume and the cultural significance.
- 1.5. Vitasoy has benefitted from differentiating itself as a quality producer in Hong Kong after the PRC melamine milk scandal. PRC food safety is a critical issue with consumers.
- 1.6. The shares have fallen more than 30% from the peak as earnings expectations grew overly optimistic.
- 1.7. We now see the current price as an attractive entry point. With sustainable long-term growth in China, Vitasoy is uniquely positioned in key F&B consumer trends. **TP: HK\$36.60 40x P/E FY21E**