

Singapore

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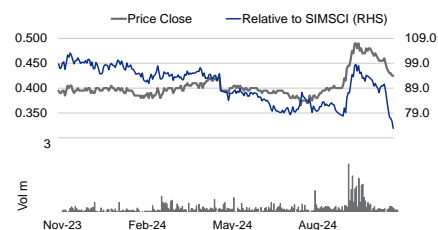
Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	S\$0.42
Target price:	S\$0.47
Previous target:	S\$0.47
Up/downside:	10.6%
CGSI / Consensus:	-10.5%
Reuters:	CHSN.SI
Bloomberg:	CSSC SP
Market cap:	US\$303.1m S\$405.2m
Average daily turnover:	US\$0.11m S\$0.14m
Current shares o/s	963.2m
Free float:	35.0%

*Source: Bloomberg

Key financial forecasts

	Dec-24F	Dec-25F	Dec-26F
Net Profit (Rmbm)	376.3	397.9	417.4
Core EPS (Rmb)	0.39	0.41	0.43
Core EPS Growth	(1.59%)	5.74%	4.88%
FD Core P/E (x)	5.87	5.55	5.29
Recurring ROE	9.29%	9.23%	9.09%
P/BV (x)	0.53	0.50	0.47
DPS (Rmb)	0.13	0.13	0.13
Dividend Yield	5.74%	5.74%	5.74%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-9.6	14.9	9
Relative (%)	-17	-7.3	-22.6

Major shareholders	% held
Success More Group Limited	63.3

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China SunSine Chemical Holdings

Expecting firm profit spreads in 4Q24F

- 3Q24 net profit of Rmb93m (-11% qoq, +43% yoy) was driven by better spreads while revenue inched up (-2% qoq, +1% yoy).
- We believe FY25F sales volume growth should stay firm on better utilisation from domestic tyre manufacturers while competition could remain intense.
- Reiterate Add with unchanged TP of S\$0.47. Solid net cash (77% of current market cap) could lead to ramp-up in share buybacks ahead, we think.

3Q: higher ASPs, softer volumes

- 3Q24 net profit came in at Rmb93m (-11% qoq, +43% yoy), largely in line with expectations and bringing 9M24 net profit to 75% of our FY24F forecast.
- Revenue grew slightly to Rmb884m (-2% qoq, +1% yoy) as stronger ASPs (-4% qoq, +5% yoy) was slightly offset by weaker volumes (+2% qoq, -4% yoy).
- While SunSine did not disclose its GPM this quarter, we estimate that it likely came in at 21-22% (+300-400bp yoy).
- Management remains focused on driving sales volume growth to strengthen market share amid intense industry competition, the company said.

Profit spread could remain firm qoq in 4Q24F

- Latest prices from chemical data provider Sci99 indicate that rubber accelerator ASPs remained on a downtrend throughout Oct-Nov (down 15-20% yoy, flattish qoq), trending in line with lower raw material prices.
- We believe 4Q24F GPM could remain flat/decline slightly on a qoq basis, with FY24F GPM coming in at c.23%.

End-demand seems healthy but competition could remain intense

- According to latest data from the National Bureau of Statistics, China's industrial tyre production grew well in 3Q24, rising 2% qoq and 10% yoy.
- With SunSine likely maintaining its flexible pricing strategy in FY25F, we think efforts to proactively defend and grow market share could weigh on meaningful GPM upside.
- Potential ramp-up in industry capacity in FY25F could also be an impediment to margin expansion, in our view.

Reiterate Add on attractive valuation, yield, and share buybacks

- Reiterate Add. We still like SunSine for its undemanding valuations (1.5x CY25F ex-cash P/E), decent FY25F yield of c.6%, and increased focus on share buybacks.
- We maintain our TP at S\$0.47, still based on 0.6x CY24F P/BV (1 s.d. below 5-year mean).
- Re-rating catalysts include favourable government stimulus in China spurring consumption and improved domestic competitive dynamics. Downside risks include prolonged competition pressuring ASPs and input cost spikes that SunSine is unable to pass on.

Figure 1: 3Q24 results comparison

FYE Dec (Rmb m)	3Q24	3Q23	yoy % chg	2Q24	qoq % chg	9M24	9M23	yoy % chg
Revenue	884.1	875.0	1.0	898.1	(1.6)	2,633.2	2,604.1	1.1
Net profit	92.9	65.0	42.9	103.8	(10.5)	281.7	259.6	8.5
NPM (%)	10.5%	7.4%	3.1% pts	11.6%	(0.0)	10.7%	10.0%	0.7% pts

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: Peer comparison

Company	Bloomberg Ticker	Recom.	Price	Target Price	Market Cap	P/E (x)		3-year EPS CAGR	P/BV (x)	Recurring ROE (%)	EV/EBITDA (x)		Dividend Yield (%)
			(lcl curr)	(lcl curr)	(US\$ m)	CY24F	CY25F	(%)	CY24F	CY24F	CY24F	CY25F	CY24F
China Sunshine Chemical Holdings	CSSC SP	Add	0.42	0.47	303	5.9	5.5	2.6%	0.53	9.3%	0.5	-0.2	5.7%
Rubber chemical peers													
Shandong Yanggu Huatai	300121 CH	NR	15.71	na	977	27.1	16.0	19.8%	2.06	8.0%	na	na	na
Eastman Chemical Co	EMN US	NR	100.5	na	11,681	13.2	11.5	8.8%	2.07	15.5%	9.1	8.4	3.2%
LANXESS AG	LXS GY	NR	22.61	na	2,058	203.7	18.6	-24.0%	0.45	-1.1%	7.4	6.1	0.5%
Simple average (rubber chemical peers)						81.3	15.4	1.6%	1.53	7.5%	8.2	7.2	1.9%
Tyre manufacturers													
Anhui Zhongding	000887 CH	NR	13.87	na	2,490	13.1	10.9	20.5%	1.37	10.7%	7.7	6.7	na
Shandong Linglong Tyre Co Ltd	601966 CH	NR	20.45	na	4,079	13.5	11.2	24.3%	1.31	9.9%	9.5	8.1	2.4%
Bridgestone Corp	5108 JP	NR	5,434	na	24,833	10.0	9.9	8.6%	1.05	11.3%	4.8	4.7	4.0%
Yokohama Rubber	5101 JP	NR	3,162	na	3,486	6.3	6.1	10.4%	0.64	10.5%	4.9	4.6	3.1%
Cie Generale des Etab.	ML FP	NR	31.58	na	23,148	9.9	9.0	12.1%	1.17	12.2%	4.9	4.7	4.9%
Goodyear Tire & Rubber Co/The	GT US	NR	9.42	na	2,704	9.5	7.1	na	0.56	5.9%	5.3	5.0	0.0%
Apollo Tyres Ltd	APTY IN	NR	471.4	na	3,434	17.4	13.2	15.0%	1.94	12.0%	8.2	6.9	1.4%
Cheng Shin Rubber Ind	2105 TT	NR	45.35	na	4,565	16.6	15.9	15.8%	1.69	10.3%	7.1	6.9	5.4%
Hankook Tire & Technology	161390 KS	Add	36,700	46,000	3,250	3.8	4.3	16.0%	0.43	11.8%	0.7	1.5	2.7%
Kumho Tire Co Inc	073240 KS	NR	4,215	na	870	3.6	3.6	33.4%	0.75	23.6%	3.6	3.7	0.0%
Nexen Tire Corp	002350 KS	NR	6,190	na	434	4.0	3.4	26.3%	0.35	8.4%	4.8	4.4	1.8%
Simple average (tyre manufacturers)						9.8	8.6	18.2%	1.02	11.5%	5.6	5.2	2.6%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG
Note: All forecasts for Not rated companies are based on Bloomberg consensus estimates
Data as of 13 Nov 2024

BY THE NUMBERS

Profit & Loss

(Rmbm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	3,490	3,564	3,695	3,807
Gross Profit	799	828	874	912
Operating EBITDA	520	545	582	613
Depreciation And Amortisation	(151)	(148)	(151)	(154)
Operating EBIT	370	397	431	459
Financial Income/(Expense)	36	65	60	58
Pretax Income/(Loss) from Assoc.	0	0	0	0
Non-Operating Income/(Expense)	48	40	40	40
Profit Before Tax (pre-EI)	453	502	531	556
Exceptional Items				
Pre-tax Profit	453	502	531	556
Taxation	(81)	(125)	(133)	(139)
Exceptional Income - post-tax				
Profit After Tax	372	376	398	417
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	372	376	398	417
Recurring Net Profit	382	376	398	417
Fully Diluted Recurring Net Profit	382	376	398	417

Balance Sheet

(Rmbm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	1,688	1,939	2,305	2,629
Total Debtors	1,265	1,269	1,215	1,199
Inventories	341	360	356	357
Total Other Current Assets	20	20	20	20
Total Current Assets	3,315	3,589	3,896	4,206
Fixed Assets	864	865	864	860
Total Investments	0	0	0	0
Intangible Assets	207	207	207	207
Total Other Non-Current Assets	0	0	0	0
Total Non-current Assets	1,071	1,073	1,071	1,067
Short-term Debt	0	0	0	0
Current Portion of Long-Term Debt				
Total Creditors	364	391	425	440
Other Current Liabilities	95	95	95	95
Total Current Liabilities	459	485	520	535
Total Long-term Debt	0	0	0	0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	0	0	0	0
Total Provisions	0	0	0	0
Total Liabilities	459	485	520	535
Shareholders' Equity	3,927	4,176	4,447	4,738
Minority Interests				
Total Equity	3,927	4,176	4,447	4,738

Cash Flow

(Rmbm)	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	520.2	545.1	581.9	613.3
Cash Flow from Invt. & Assoc.				
Change In Working Capital	157.2	3.4	93.2	29.5
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	49.2	40.0	40.0	40.0
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0
Tax Paid	(133.3)	(125.4)	(132.6)	(139.1)
Cashflow From Operations	593.3	463.1	582.4	543.7
Capex	(173.9)	(150.0)	(150.0)	(150.0)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	36.4	65.0	60.0	57.5
Cash Flow From Investing	(137.5)	(85.0)	(90.0)	(92.5)
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	(13.7)	0.0	0.0	0.0
Dividends Paid	(126.3)	(126.7)	(126.7)	(126.7)
Preferred Dividends				
Other Financing Cashflow	(1.0)	0.0	0.0	0.0
Cash Flow From Financing	(141.0)	(126.7)	(126.7)	(126.7)
Total Cash Generated	314.8	251.3	365.6	324.5
Free Cashflow To Equity	455.8	378.1	492.4	451.2
Free Cashflow To Firm	455.8	378.1	492.4	451.2

Key Ratios

	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	(8.75%)	2.11%	3.68%	3.02%
Operating EBITDA Growth	(36.3%)	4.8%	6.7%	5.4%
Operating EBITDA Margin	14.9%	15.3%	15.7%	16.1%
Net Cash Per Share (Rmb)	1.75	2.01	2.39	2.73
BVPS (Rmb)	4.08	4.34	4.62	4.92
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	17.8%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	6.47%	6.40%	6.05%	5.77%
Accounts Receivables Days	138.4	130.1	122.7	115.7
Inventory Days	50.45	46.89	46.28	44.92
Accounts Payables Days	50.85	50.49	52.74	54.54
ROIC (%)	13.0%	13.3%	14.4%	16.1%
ROCE (%)	10.6%	11.4%	11.4%	11.2%
Return On Average Assets	8.0%	7.2%	7.3%	7.3%

12-mth Fwd FD P/E (x) - China Sunshine Chemical Holdings



Key Drivers

	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Sales volumes (thousand tonnes)	207.0	216.6	223.1	228.6
Gross profit margin (%)	22.9%	23.2%	23.7%	24.0%

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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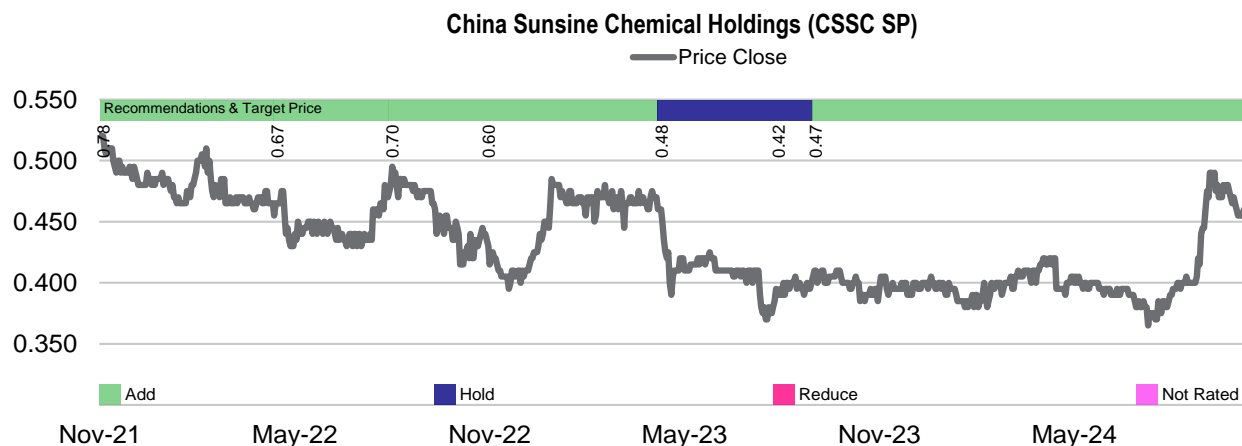
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2024		
588 companies under coverage for quarter ended on 30 September 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.0%	0.5%
Hold	23.5%	0.9%
Reduce	9.5%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
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Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
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