

Singapore

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	S\$0.09
Target price:	S\$0.18
Previous target:	S\$0.17
Up/downside:	87.5%
CGS-CIMB / Consensus:	0.0%
Reuters:	JUTN.SI
Bloomberg:	JIUC SP
Market cap:	US\$139.5m
	S\$190.9m
Average daily turnover:	US\$2.09m
	S\$2.89m
Current shares o/s:	1,988m
Free float:	71.9%

*Source: Bloomberg

Key changes in this note

- FY22-24F EPS raised by 16-38%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.1	-4	3.2
Relative (%)	3.6	-6.4	-0.6

Major shareholders	% held
Anyang Longyu	25.3

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Jiutian Chemical Group Ltd

Widening profit spread drove record GPM

- 2Q22 net profit came in strong at Rmb184m (-8% qoq, +163% yoy), above expectations on better-than-expected MA pricing and lower input costs.
- GPM was a record high at 39.5% (vs. 2Q21: 26.6%). We raise our FY22-24F EPS by 16-38% in view of stronger profit spreads.
- Significant net cash at c.80% of current market cap. Reiterate Add with a higher TP of S\$0.18, pegged to 4.8x FY23F P/E.

2Q22: solid results despite some ASP normalisation

2Q22 net profit of Rmb184m (-8% qoq, +163% yoy) was above expectations, with 1H22 net profit forming 97% of our and 79% of Bloomberg consensus forecasts. The beat was driven by strong methylamine (MA) prices (+104% yoy) and lower-than-expected input costs. Dimethylformamide prices (DMF) saw some hoh normalisation in 1H22 to Rmb14k/tonne (DMF) on the back of 1) lower export orders from producers, and 2) slowdown in China's economy, but prices remained 40% stronger yoy. Overall, 2Q22 gross margin improved to a record high of 39.5% (vs. 2Q21: 26.6%) as raw material costs continued trending lower.

DMF prices weaker but MA prices remain healthy

According to 100ppi.com, DMF prices normalised further to Rmb10.5k/tonne in Aug 22 (vs. Rmb12.7k as at end-Jun 22); we believe this can be partly attributed to seasonally weaker end-demand amid lower manufacturer output in view of higher summer temperatures. Part of the pricing weakness was also caused by China's zero-Covid policy, which has temporarily dampened economic growth, in our view. Positively, MA prices still remain elevated based on our channel checks, which should support continued healthy profit spread for Jiutian. With the business environment likely to remain challenging in 2H22F, we cautiously forecast Jiutian's 2H22F net profit to grow 10% yoy.

Reiterate Add with a slightly higher TP of S\$0.18

We raise our FY22-24F EPS by 16-38% on the back of higher MA ASP assumptions. Reiterate Add. We believe valuations are attractive, as the group currently trades at an undemanding c.2.6x FY23F P/E. Net cash of Rmb792m forms c.80% of Jiutian's current market cap, which could also support higher FY22F dividends (we estimate c.11% dividend yield). On the back of our higher EPS forecasts, our TP is raised to S\$0.18, pegged to 4.8x FY23F P/E (based on a c.20% discount to 5-year historical mean of SGX-listed peer China Sunsin). Potential re-rating catalysts include stronger DMF and MA ASPs amidst robust downstream demand. Downside risks include weaker ASPs due to increased competitive pressure with new industry supply coming in.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (Rmbm)	1,146	2,173	2,353	1,711	1,593
Operating EBITDA (Rmbm)	272.5	651.2	758.4	501.8	445.5
Net Profit (Rmbm)	173.7	310.3	550.0	359.4	318.2
Core EPS (Rmb)	0.09	0.16	0.28	0.18	0.16
Core EPS Growth		66.2%	77.2%	(34.7%)	(11.5%)
FD Core P/E (x)	4.99	3.03	1.71	2.62	2.96
DPS (Rmb)	-	0.022	0.051	0.066	0.043
Dividend Yield	0.0%	4.7%	10.9%	13.9%	9.1%
EV/EBITDA (x)	2.57	0.30	(0.16)	(0.78)	(1.42)
P/FCFE (x)	8.02	1.63	2.54	2.61	3.35
Net Gearing	(21.0%)	(86.8%)	(79.1%)	(84.2%)	(85.7%)
P/BV (x)	1.67	1.17	0.75	0.64	0.55
ROE	42.0%	46.8%	53.6%	26.4%	20.0%
% Change In Core EPS Estimates			38.3%	26.6%	15.5%
CGS-CIMB/Consensus EPS (x)			1.14	0.97	0.80

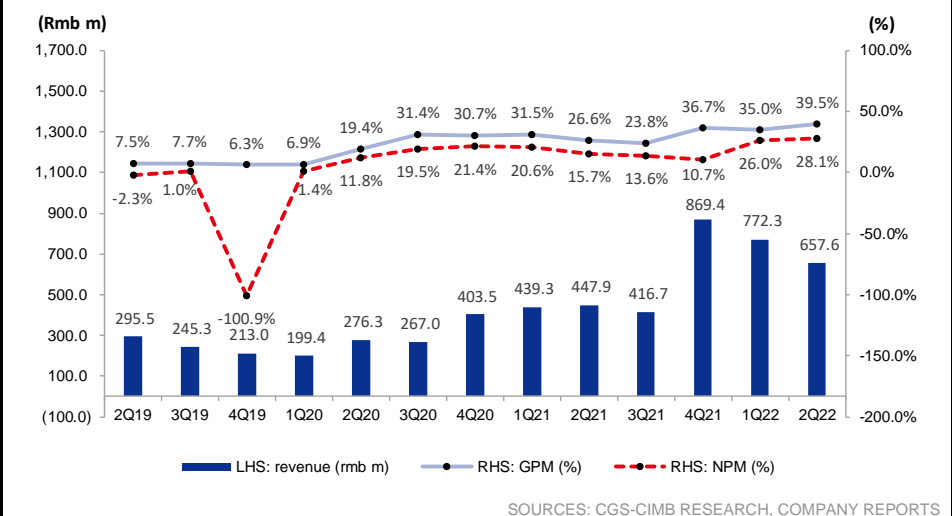
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (Rmb m)	2Q22	2Q21	yoy % chg	1Q22	qoq % chg	FY22F	FY21	yoy % chg	Prev FY22F	Comments
Revenue	657.6	447.9	46.8	772.3	(14.9)	2,352.7	2,173.3	8.3	2,303.7	Above due to stronger MA pricing. 1H22 formed 62% of our FY22F forecast
Cost of goods sold	(398.0)	(328.7)	21.1	(501.8)	(20.7)	(1,568.2)	(1,497.7)	4.7	(1,704.5)	
Gross profit	259.6	119.3	117.6	270.5	(4.0)	784.5	675.6	16.1	599.2	Above due to better profit spreads
Gross margin (%)	39.5%	26.6%		35.0%		33.3%	31.1%		26.0%	
Pretax profit	257.3	96.8	166.0	266.2	(3.3)	743.0	470.6	57.9	530.1	Above
Net profit	184.5	70.2	162.7	201.1	(8.3)	550.0	310.3	77.2	397.8	
Core net profit	184.5	70.2	162.7	201.1	(8.3)	550.0	430.0	27.9	397.8	Above. 1H22 formed 97% of our FY22F

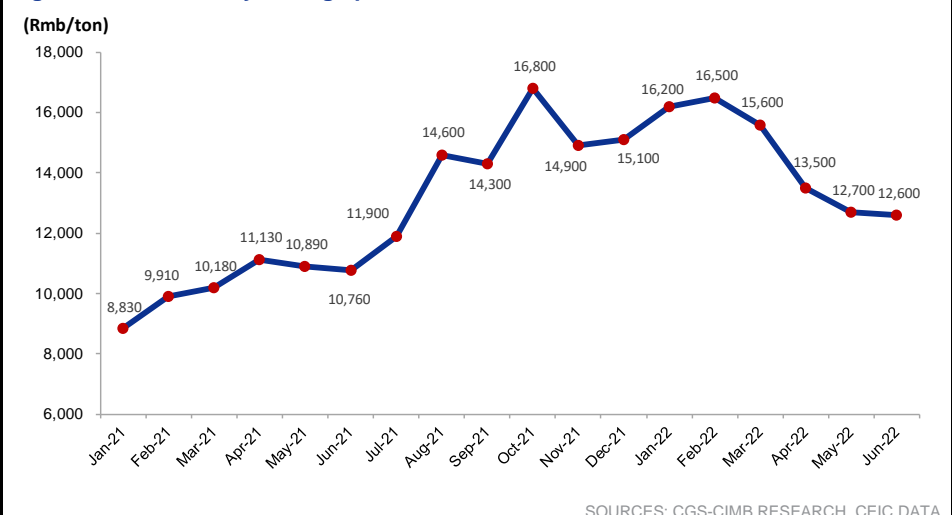
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Historical quarterly revenue and margin trend



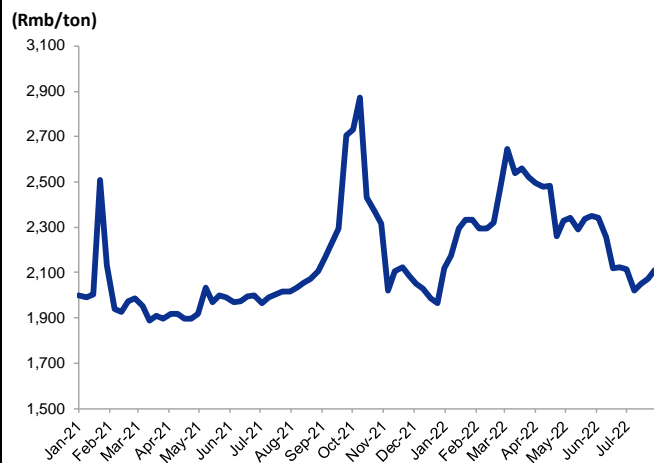
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: DMF monthly average prices in China



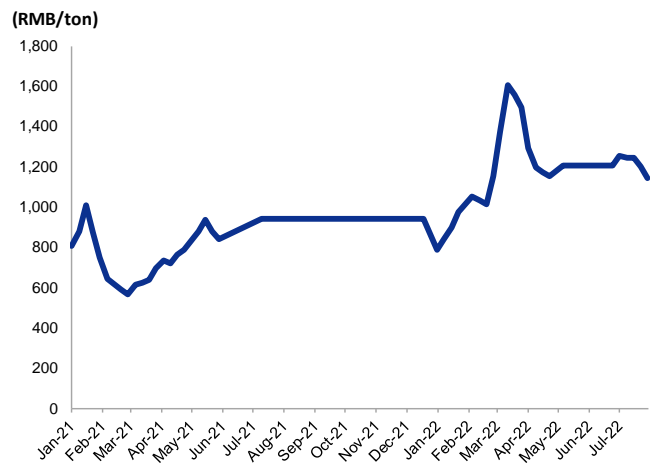
SOURCES: CGS-CIMB RESEARCH, CEIC DATA

Figure 4: Methanol weekly average prices in China



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 5: Coal weekly average prices in China



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 6: EPS revision

	Old			New			% change		
	FY22	FY23	FY24	FY22	FY23	FY24	FY22	FY23	FY24
Revenue	2303.7	1606.6	1509.6	2352.7	1710.5	1592.7	2.1%	6.5%	5.5%
Gross profit	599.2	420.3	406.3	784.5	524.3	465.8	30.9%	24.7%	14.6%
Operating profit	534.7	375.3	364.1	732.7	476.4	421.2	37.0%	26.9%	15.7%
Net profit attributable to equity holders	397.8	283.8	275.5	550.0	359.4	318.2	38.3%	26.6%	15.5%
Basic EPS (Rmb cts)	20.0	14.3	13.9	27.7	18.1	16.0	38.3%	26.6%	15.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Peer comparison (as of 11 Aug 2022)

Company	BBG Ticker	Recom.	Price (LC)	Target Price (LC)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)	Recurring ROE (%)	EV/EBITDA (x)		Dividend Yield (%)	
						CY22F	CY23F				CY22F	CY23F		
Jiutian Chemical Group Ltd	JIUC SP	Add	0.10	0.18	140	1.7	2.6	3.0	-0.6%	0.75	55.2%	-0.2	-0.8	10.9%
China Sunshin Chemical Hold	CSSC SP	Add	0.48	0.67	340	5.1	5.0	4.9	-3.5%	0.65	13.7%	0.8	0.5	3.9%
Shandong Hualu Hengsheng	600426 CH	Not Rated	29.3	na	9,153	7.9	7.3	na	na	2.10	27.1%	5.5	5.0	3.2%
Lotte Chemical Corp	011170 KS	Add	186,500	230,000	4,905	26.9	9.5	7.9	-15.6%	0.44	1.6%	4.7	3.0	1.3%
Overall average (excluding Jiutian)						13.3	7.3	6.4	-9.6%	1.06	14.2%	3.7	2.9	2.8%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG



ESG in a nutshell

We believe Jiutian's ESG efforts are satisfactory. The company has been constantly improving its operational efficiencies and environmental protection efforts to stay ahead of government regulations. We see this as key to its business continuity as environmental protection is fast gaining traction in China amongst policy makers and the public. We like that Jiutian has been able to reduce its carbon emission intensity and water consumption intensity significantly over the past year; this shows good effort in environmental protection management.

Keep your eye on

Jiutian fully complies with local emission standards in both gaseous emissions and wastewater discharge. It should have zero environmental incidents too.

Implications

Environmental protection is fast gaining traction in China amongst policy makers and the public. This has significant implications on the chemicals industry. It is important that Jiutian is fully compliant with national environmental regulations to ensure smooth operations.

ESG highlights

Jiutian places much emphasis on ensuring product quality. Besides its robust internal Quality Management System in compliance with ISO 9001:2015, Jiutian was also able to achieve a 100% product acceptance rate by customers in FY21. Safety is also of paramount importance to Jiutian – the company carries out regular maintenance and has achieved zero production stoppage due to safety incidences and zero serious accidents in FY21.

Implications

Maintaining high quality standards in products and safety protection are critical for Jiutian's reputation and key to helping it maintain its leadership position as China's second-largest DMF producer.

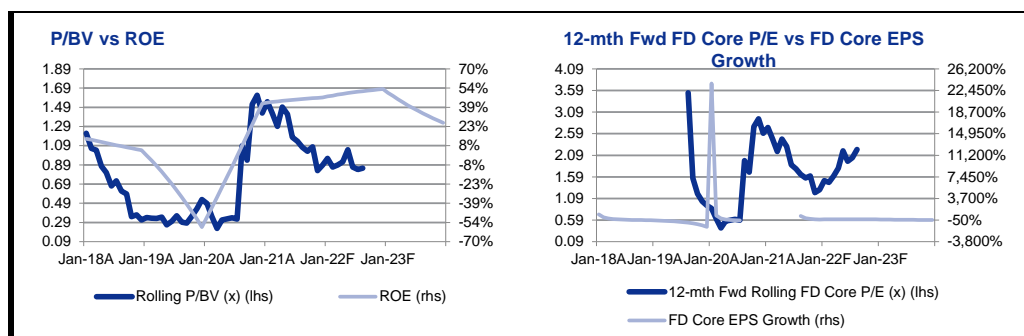
Trends

Jiutian has been able to reduce its carbon emission intensity and water consumption intensity over the past 3 years. Its carbon emission intensity was lowered to 3.63kgCO₂e/tonne in FY21, from 3.69kgCO₂e/tonne in FY20 and 4.10kgCO₂e/tonne in FY19. Its water consumption intensity was also reduced to 0.39m³/tonne in FY21, from 0.46m³/tonne in FY20 and 1.02m³/tonne in FY19.

Implications

Energy efficiency and water management are part and parcel of environmental protection management. It is crucial for Jiutian to invest in these areas to stay ahead of government regulations and to ensure business continuity.

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	1,146	2,173	2,353	1,711	1,593
Gross Profit	275	676	784	524	466
Operating EBITDA	273	651	758	502	446
Depreciation And Amortisation	(26)	(28)	(26)	(25)	(24)
Operating EBIT	247	623	733	476	421
Financial Income/(Expense)	5	(138)	(10)	(7)	(7)
Pretax Income/(Loss) from Assoc.	(9)	(15)	20	10	10
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	242	471	743	479	424
Exceptional Items					
Pre-tax Profit	242	471	743	479	424
Taxation	(69)	(161)	(193)	(120)	(106)
Exceptional Income - post-tax					
Profit After Tax	173	310	550	359	318
Minority Interests	1	0	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	174	310	550	359	318
Recurring Net Profit	174	310	550	359	318
Fully Diluted Recurring Net Profit	174	310	550	359	318

Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	272.5	651.2	758.4	501.8	445.5
Cash Flow from Invt. & Assoc.	9.5	14.6	(20.0)	(10.0)	(10.0)
Change In Working Capital	(120.3)	67.1	(131.4)	34.7	(4.1)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	13.5	161.5	25.7	25.4	24.3
Other Operating Cashflow	(18.8)	(175.6)	(5.4)	(14.8)	(13.5)
Net Interest (Paid)/Received	(3.8)	0.0	(5.0)	(4.0)	(4.0)
Tax Paid	(23.5)	(63.0)	(193.2)	(119.7)	(106.0)
Cashflow From Operations	129.0	655.8	429.1	413.3	332.2
Capex	(6.3)	(22.3)	(23.5)	(17.1)	(15.9)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(4.6)	(5.4)	(5.5)	(5.5)	(5.5)
Cash Flow From Investing	(10.9)	(27.7)	(29.0)	(22.6)	(21.4)
Debt Raised/(repaid)	(10.0)	(50.1)	(30.0)	(30.0)	(30.0)
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	15.7	(60.8)	(194.0)	(113.5)	(114.6)
Cash Flow From Financing	5.7	(110.9)	(224.0)	(143.5)	(144.6)
Total Cash Generated	123.8	517.2	176.1	247.3	166.2
Free Cashflow To Equity	108.1	578.1	370.1	360.7	280.9
Free Cashflow To Firm	125.6	633.2	405.1	394.7	314.9

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	454	922	1,185	1,411	1,602
Total Debtors	665	645	967	726	698
Inventories	39	61	64	49	46
Total Other Current Assets	0	0	0	0	0
Total Current Assets	1,158	1,628	2,216	2,186	2,347
Fixed Assets	209	198	195	187	179
Total Investments	62	48	73	89	104
Intangible Assets	3	3	3	3	3
Total Other Non-Current Assets	2	1	1	1	1
Total Non-current Assets	277	249	273	280	287
Short-term Debt	344	178	148	118	88
Current Portion of Long-Term Debt					
Total Creditors	503	668	859	650	618
Other Current Liabilities	60	173	176	164	161
Total Current Liabilities	907	1,019	1,183	932	867
Total Long-term Debt	0	50	50	50	50
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	5	9	9	9	9
Total Non-current Liabilities	5	59	59	59	59
Total Provisions	0	0	0	0	0
Total Liabilities	912	1,078	1,242	990	926
Shareholders' Equity	525	802	1,249	1,478	1,710
Minority Interests	(2)	(2)	(2)	(3)	(3)
Total Equity	523	799	1,247	1,475	1,708

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	8.7%	89.6%	8.3%	(27.3%)	(6.9%)
Operating EBITDA Growth	358%	139%	16%	(34%)	(11%)
Operating EBITDA Margin	23.8%	30.0%	32.2%	29.3%	28.0%
Net Cash Per Share (Rmb)	0.06	0.35	0.50	0.62	0.74
BVPS (Rmb)	0.28	0.40	0.63	0.74	0.86
Gross Interest Cover	33.1	122.6	146.5	119.1	105.3
Effective Tax Rate	28.6%	34.1%	26.0%	25.0%	25.0%
Net Dividend Payout Ratio	NA	14.3%	18.6%	36.4%	26.9%
Accounts Receivables Days	182.1	110.0	125.0	180.7	163.7
Inventory Days	13.21	12.19	14.61	17.41	15.44
Accounts Payables Days	194.5	142.7	177.8	232.2	205.8
ROIC (%)	64%	115%	816%	183%	207%
ROCE (%)	30.6%	65.7%	59.3%	30.9%	24.1%
Return On Average Assets	12.9%	24.2%	25.5%	14.7%	12.7%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
MA ASP	7,525.0	11,837.0	15,000.0	11,000.0	10,000.0
MA plant utilisation (%)	100.0%	100.0%	100.0%	99.0%	99.0%
DMF ASP	5,983.0	12,127.0	12,000.0	9,000.0	8,500.0
DMF plant utilisation (%)	56.0%	62.0%	60.0%	60.0%	60.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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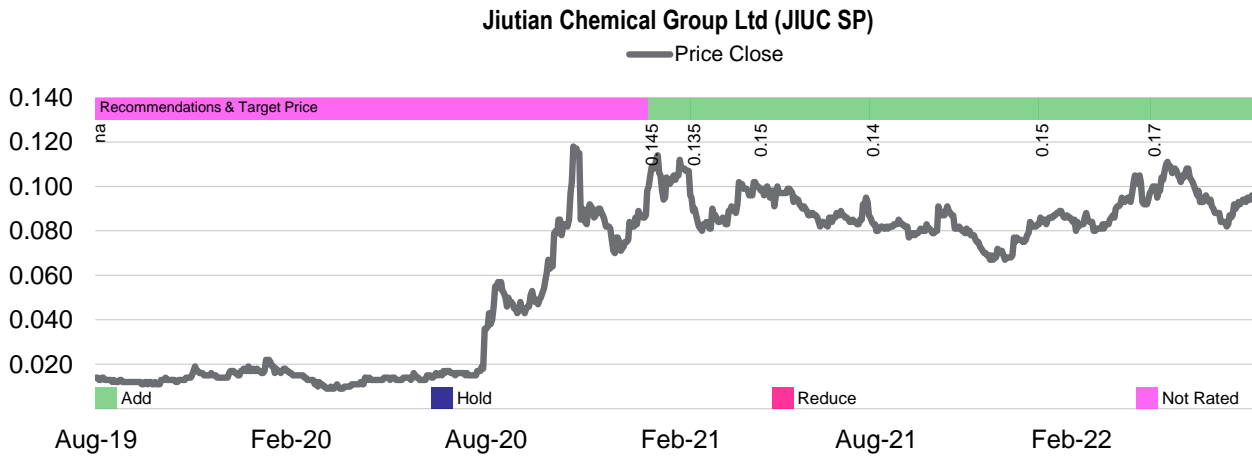
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643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)



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