

Hong Kong

**ADD** (no change)

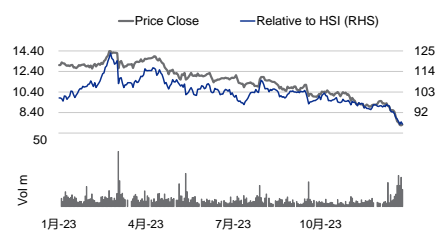
Consensus ratings\*: Buy 23 Hold 2 Sell 1

Current price: HK\$7.23  
 Target price: ▼ HK\$11.70  
 Previous target: HK\$16.10  
 Up/downside: 61.8%  
 CGI / Consensus: -15.8%

Reuters: 0322.HK  
 Bloomberg: 322 HK  
 Market cap: US\$5,208m  
 HK\$40,736m  
 Average daily turnover: US\$5.30m  
 HK\$41.39m  
 Current shares o/s: 5,594m  
 Free float: 32.4%  
 \*Source: Bloomberg

**Key changes in this note**

- FY23F EPS decreased by 10.7%.
- FY24F EPS decreased by 17.5%.
- FY25F EPS decreased by 17.9%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-21.2	-27.4	-44.5
Relative (%)	-15.2	-16.8	-14.1

Major shareholders	% held
Ting Hsin (Cayman Islands) Hldg Corp.	33.6
Sanyo Foods Co., Ltd	33.6

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# Tingyi (Cayman Islands)

## Weaker noodle sales in 4Q23F

- We estimate Tingyi's noodle sales fell by 10.4% yoy in 2H23F as many plants were shut down and workers had temporarily moved back to their rural hometowns.
- Management said key raw material prices are likely to remain low in FY24F, which should benefit Tingyi's margin expansion.
- Management said it will maintain 100% dividend payout over the next 3-5 years.
- Reiterate Add due to likely margin expansion in FY24F and high dividend yields of 9.3% in FY24F.

## Weaker noodle sales growth in 4Q23F

We think revenue growth was likely weaker in 2H23F than in 1H23 due to the weak economic outlook and consumption in China. Noodle demand was sluggish as many plants were shut down and workers returned to their hometowns in rural areas. We estimate noodle sales fell by 10.4% yoy in 2H23F and beverage sales rose by 4.8% yoy, leading to overall sales dipping 1.1% in 2H23F and rising 2.8% yoy in FY23F. Tingyi continued to gain noodle market share in 2H23F despite industry sales tumbling further, according to management. For beverages, the company reduced its channel inventory in 3Q23 and saw better sales volume growth yoy in 4Q23F. We expect higher sales growth in 1Q24F due to Chinese New Year occurring later in 2024 vs. 2023. Tingyi said it had healthy channel inventory of one month for noodles and 1-2 months for beverages as at end-Dec 23. Tingyi also said it saw solid revenue growth from the catering channel in FY23F and plans to continue expanding into this and other emerging channels, such as live broadcasting, in FY24F. Overseas expansion revolved mainly around export sales, according to Tingyi, which accounted for a low single-digit proportion of total sales in FY23F. We think Tingyi's sugar-free beverages did not perform well in FY23F, based on our channel checks. Nevertheless, the company plans to launch more sugar-free beverages in FY24F and invest in its marketing and channel promotions.

## Raw material prices likely to be low in FY24F

As for raw materials, sugar prices have increased since Apr 2023, negatively affecting margins in 2H23F. However, the prices of other raw materials, such as palm oil, PET, etc. maintained their downward trend in 2H23F. Hence, we believe GPM expanded by 0.2% pt yoy to 30.1% in 2H23F and 1.2% pts yoy to 30.3% in FY23F. Management said its previous net profit target of Rmb3.5bn for FY23F is unlikely to be met; we now pencil in a net profit of Rmb3.06bn for FY23F. Management sees positive sales growth yoy in FY24F, with net profit growth surpassing revenue growth. We now forecast sales to rise 4.5% yoy and net profit to rise 13.0% yoy in FY24F, driven by relatively low raw material prices and better expense control. With sugar prices starting to fall since Dec 23, management forecasts more favourable raw material prices in FY24F and GPM expanding yoy.

## 100% dividend payout to be maintained over the next 3-5 years

The company stopped paying special dividends in FY23F but plans to maintain a 100% dividend payout ratio over the next 3-5 years. It aims to improve its opex ratio in FY24F-25F, hence NPM improvement is likely to come from GPM expansion and a slight reduction in its expense ratio. Based on our EPS forecasts, we expect a dividend yield of 8.2% in FY23F and 9.3% in FY24F.

## Reiterate Add with a lower DCF-based TP of HK\$11.7

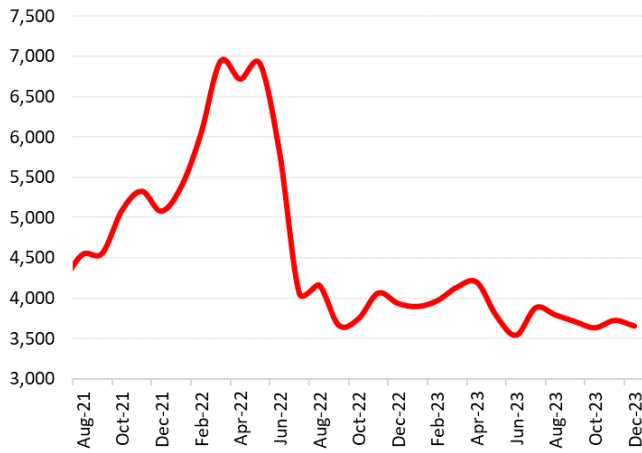
We reiterate Add on Tingyi due to its likely margin expansion in FY24F and relatively high dividend yield vs. peers. We cut our FY23-25F EPS forecasts by 10.7-17.9% to reflect likely weak noodle sales. Hence, our DCF-based TP falls to HK\$11.7 (WACC: 10.8%, terminal growth rate: 3%). Potential re-rating catalysts include better-than-expected GPM expansion and expense control. Key downside risks are 1) weaker-than-expected sales growth, 2) higher-than-expected raw material cost pressure, impacting GPM, and 3) higher-than-expected distribution expenses, impacting its net profit.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (Rmbm)	74,082	78,717	80,955	84,612	89,339
Operating EBITDA (Rmbm)	8,583	7,733	8,096	8,424	8,708
Net Profit (Rmbm)	3,802	2,632	3,058	3,454	3,844
Core EPS (Rmb)	0.59	0.47	0.56	0.64	0.73
Core EPS Growth	(8.5%)	(21.1%)	19.0%	15.7%	13.8%
FD Core P/E (x)	11.20	14.19	11.92	10.30	9.05
DPS (Rmb)	1.12	0.91	0.54	0.61	0.68
Dividend Yield	16.9%	13.7%	8.2%	9.3%	10.3%
EV/EBITDA (x)	4.45	5.87	5.71	5.17	4.64
P/FCFE (x)	22.83	9.99	3.98	16.61	11.38
Net Gearing	(9.8%)	31.4%	44.0%	28.7%	11.8%
P/BV (x)	2.00	2.79	3.30	3.18	3.08
ROE	16.8%	16.4%	24.8%	30.1%	32.3%
% Change In Core EPS Estimates			(10.7%)	(17.5%)	(17.9%)
CGI/consensus EPS (x)			0.90	0.86	0.86

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

# Weaker noodle sales in 4Q23F

Figure 1: Palm oil prices (RM/tonne)



SOURCES: CGIS RESEARCH, BLOOMBERG

Figure 2: Domestic sugar prices (Rmb/tonne)



SOURCES: CGIS RESEARCH, BLOOMBERG

Figure 3: Flour prices (Rmb/tonne)



SOURCES: CGIS RESEARCH, BLOOMBERG

Figure 4: PET prices (Rmb/tonne)



SOURCES: CGIS RESEARCH, BLOOMBERG

Figure 5: Earnings revision

	FY23F			FY24F			FY25F		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue (Rmbm)	84,597	80,955	-4.3%	90,096	84,612	-6.1%	95,003	89,339	-6.0%
Gross margin	30.4%	30.3%	-0.1% pts	31.1%	30.6%	-0.4% pts	31.5%	30.8%	-0.7% pts
Distribution exp/sales	21.7%	21.7%	0.0% pts	21.6%	21.6%	0.0% pts	21.6%	21.5%	-0.1% pts
Admin exp/sales	2.9%	3.1%	0.2% pts	2.9%	3.1%	0.2% pts	2.9%	3.1%	0.2% pts
Operating margin	6.6%	6.2%	-0.4% pts	7.3%	6.4%	-0.8% pts	7.5%	6.5%	-0.9% pts
Net profit (Rmbm)	3,426	3,058	-10.7%	4,184	3,454	-17.4%	4,684	3,844	-17.9%
Core net profit (Rmbm)	3,426	3,058	-10.7%	4,184	3,454	-17.4%	4,684	3,844	-17.9%

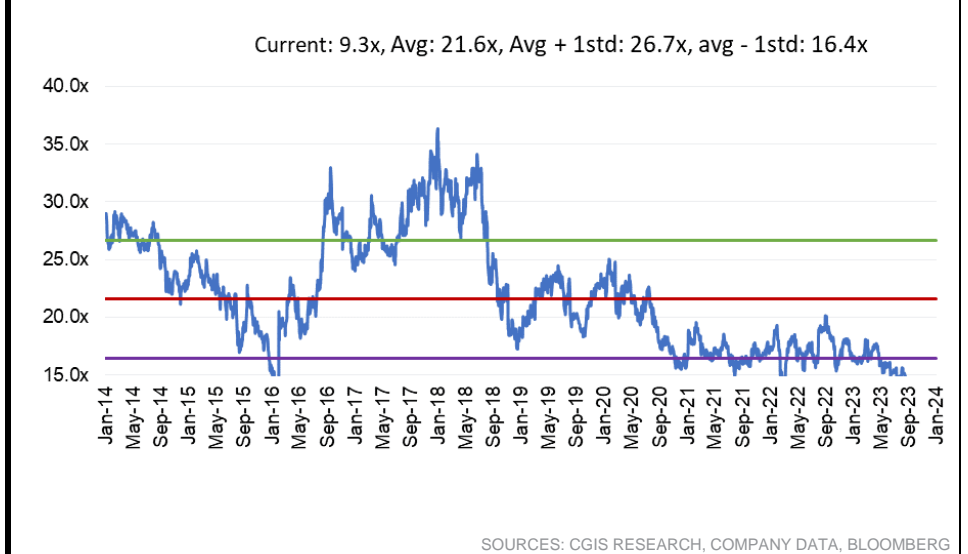
SOURCES: CGIS RESEARCH ESTIMATES, COMPANY DATA

**Figure 6: DCF valuation**

DCF valuation (Rmb m)	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F
EBIT	4,468	4,998	5,419	5,822	6,113	6,418	6,739	7,076	7,501	7,951	8,428	8,933	9,469
Taxes	-1,073.0	-1,234.7	-1,374.2	-1,509.1	-1,584.6	-1,663.8	-1,747.0	-1,834.4	-1,944.4	-2,061.1	-2,184.7	-2,315.8	-2,454.8
NOPAT	3,394.5	3,763.3	4,045.0	4,312.4	4,528.1	4,754.5	4,992.2	5,241.8	5,556.3	5,889.7	6,243.1	6,617.6	7,014.7
<i>NOPAT growth</i>	-24.3%	10.9%	7.5%	6.6%	5.0%	5.0%	5.0%	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%
D&A	3,265.6	3,098.2	3,004.4	2,886.2	2,020.3	1,414.2	990.0	693.0	485.1	339.6	237.7	166.4	116.5
Funds from operation	6,660.1	6,861.6	7,049.5	7,198.7	6,548.4	6,168.7	5,982.2	5,934.8	6,041.4	6,229.2	6,480.8	6,784.0	7,131.2
Change in net working Capital	-663.8	256.4	681.1	1,045.1	836.1	668.9	535.1	428.1	342.5	274.0	219.2	175.3	140.3
Cash flow from operation	5,996.3	7,118.0	7,730.6	8,243.8	7,384.5	6,837.6	6,517.3	6,362.9	6,383.9	6,503.2	6,699.9	6,959.4	7,271.4
Capex	-3,123.8	-3,000.0	-2,300.0	-2,000.0	-1,700.0	-1,445.0	-1,228.3	-1,044.0	-887.4	-754.3	-641.2	-545.0	-463.2
Free cash flow from operation	2,872.4	4,118.0	5,430.6	6,243.8	5,684.5	5,392.6	5,289.0	5,318.8	5,496.4	5,748.9	6,058.8	6,414.4	6,808.2
<i>FCF growth</i>	-27.4%	43.4%	31.9%	15.0%	-9.0%	-5.1%	-1.9%	0.6%	3.3%	4.6%	5.4%	5.9%	6.1%
Terminal free cash flow	89,445	<b>Assumptions</b>											
Total discounted free cash flow	36,802	Equity Beta	0.9										
Present value of terminal free cash flow	26,554	Risk Free Rate	4.0%										
		Market Risk Premium	7.6%										
		Cost of Equity	10.8%										
		Cost of Debt	2.7%										
		Effective Tax Rate	24.6%										
		Target Gearing	0.0%										
		WACC	10.8%										
		Terminal growth rate	3.0%										
Total present value of forecasted free cash flows	63,357												
Less: Net Debt / (Cash)	5,295												
Equity Value	58,062												
No. of outstanding shares (millions)	5,635												
Per share Equity Value (Rmb)	10.30												
Exchange rate	1.14												
<b>Target price (HK\$)</b>	<b>11.70</b>												

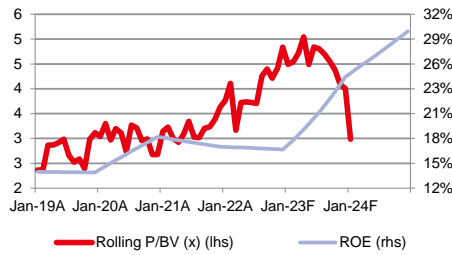
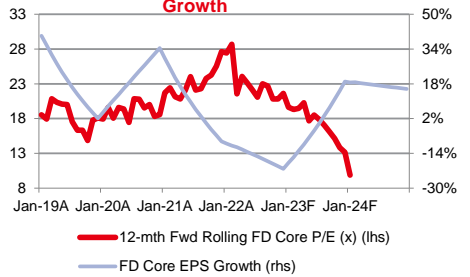
SOURCES: CGIS RESEARCH ESTIMATES, COMPANY DATA

**Figure 7: Tingyi's P/E band**



SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

## BY THE NUMBERS

**P/BV vs ROE**

**12-mth Fwd FD Core P/E vs FD Core EPS Growth**


### Profit & Loss

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total Net Revenues</b>	<b>74,082</b>	<b>78,717</b>	<b>80,955</b>	<b>84,612</b>	<b>89,339</b>
<b>Gross Profit</b>	<b>22,510</b>	<b>22,899</b>	<b>24,508</b>	<b>25,900</b>	<b>27,557</b>
<b>Operating EBITDA</b>	<b>8,583</b>	<b>7,733</b>	<b>8,096</b>	<b>8,424</b>	<b>8,708</b>
Depreciation And Amortisation	-3,142	-3,266	-3,098	-3,004	-2,886
<b>Operating EBIT</b>	<b>5,441</b>	<b>4,468</b>	<b>4,998</b>	<b>5,419</b>	<b>5,822</b>
Financial Income/(Expense)	-223	-446	-389	-288	-187
Pretax Income/(Loss) from Assoc.	122	127	140	154	169
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>5,340</b>	<b>4,149</b>	<b>4,749</b>	<b>5,285</b>	<b>5,804</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>5,340</b>	<b>4,149</b>	<b>4,749</b>	<b>5,285</b>	<b>5,804</b>
Taxation	-1,425	-1,073	-1,235	-1,374	-1,509
Exceptional Income - post-tax	469	0	0	0	0
<b>Profit After Tax</b>	<b>4,384</b>	<b>3,076</b>	<b>3,514</b>	<b>3,911</b>	<b>4,295</b>
Minority Interests	-581	-444	-456	-457	-452
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>3,802</b>	<b>2,632</b>	<b>3,058</b>	<b>3,454</b>	<b>3,844</b>
Recurring Net Profit	3,334	2,632	3,058	3,454	3,844
<b>Fully Diluted Recurring Net Profit</b>	<b>3,334</b>	<b>2,632</b>	<b>3,058</b>	<b>3,454</b>	<b>3,844</b>

### Cash Flow

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>EBITDA</b>	<b>8,583</b>	<b>7,733</b>	<b>8,096</b>	<b>8,424</b>	<b>8,708</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	-703	-664	256	681	1,045
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	-494	-1,047	0	0	0
Net Interest (Paid)/Received	-217	-441	-389	-288	-187
Tax Paid	-1,751	-1,106	-1,235	-1,374	-1,509
<b>Cashflow From Operations</b>	<b>5,418</b>	<b>4,475</b>	<b>6,729</b>	<b>7,443</b>	<b>8,057</b>
Capex	-2,966	-3,124	-3,000	-2,300	-2,000
Disposals Of FAs/subsidiaries	196	0	0	0	0
Acq. Of Subsidiaries/investments	251	0	0	0	0
Other Investing Cashflow	-1,524	-256	0	0	0
<b>Cash Flow From Investing</b>	<b>-4,044</b>	<b>-3,380</b>	<b>-3,000</b>	<b>-2,300</b>	<b>-2,000</b>
Debt Raised/(repaid)	260	2,643	5,434	-3,000	-3,000
Proceeds From Issue Of Shares	43	29	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	-7,025	-7,076	-5,132	-3,058	-3,454
Preferred Dividends					
Other Financing Cashflow	-214	-214	0	0	0
<b>Cash Flow From Financing</b>	<b>-6,936</b>	<b>-4,618</b>	<b>302</b>	<b>-6,058</b>	<b>-6,454</b>
Total Cash Generated	-5,561	-3,522	4,031	-915	-397
<b>Free Cashflow To Equity</b>	<b>1,635</b>	<b>3,739</b>	<b>9,163</b>	<b>2,143</b>	<b>3,057</b>
<b>Free Cashflow To Firm</b>	<b>1,592</b>	<b>1,536</b>	<b>4,118</b>	<b>5,431</b>	<b>6,244</b>

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

## BY THE NUMBERS... cont'd

### Balance Sheet

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	15,859	12,336	16,367	15,452	15,055
Total Debtors	2,044	1,808	2,218	2,318	2,448
Inventories	4,671	5,255	4,639	4,504	4,570
Total Other Current Assets	3,092	4,628	4,569	4,512	4,456
<b>Total Current Assets</b>	<b>25,667</b>	<b>24,027</b>	<b>27,794</b>	<b>26,786</b>	<b>26,529</b>
Fixed Assets	23,317	23,092	23,000	22,302	21,423
Total Investments	720	708	848	1,002	1,171
Intangible Assets	254	260	260	260	260
Total Other Non-Current Assets	10,351	10,363	10,356	10,349	10,343
<b>Total Non-current Assets</b>	<b>34,642</b>	<b>34,422</b>	<b>34,464</b>	<b>33,914</b>	<b>33,197</b>
Short-term Debt	7,311	9,203	9,203	9,203	9,203
Current Portion of Long-Term Debt					
Total Creditors	9,047	9,490	9,434	9,973	10,664
Other Current Liabilities	13,467	13,011	13,060	13,110	13,604
<b>Total Current Liabilities</b>	<b>29,825</b>	<b>31,705</b>	<b>31,697</b>	<b>32,286</b>	<b>33,470</b>
Total Long-term Debt	6,350	8,416	13,850	10,850	7,850
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	275	214	214	214	214
<b>Total Non-current Liabilities</b>	<b>6,626</b>	<b>8,630</b>	<b>14,065</b>	<b>11,065</b>	<b>8,065</b>
Total Provisions	1,450	1,299	1,299	1,299	1,299
<b>Total Liabilities</b>	<b>37,901</b>	<b>41,634</b>	<b>47,061</b>	<b>44,649</b>	<b>42,834</b>
Shareholders' Equity	18,660	13,371	11,297	11,694	12,083
Minority Interests	3,749	3,444	3,900	4,357	4,808
<b>Total Equity</b>	<b>22,408</b>	<b>16,815</b>	<b>15,197</b>	<b>16,050</b>	<b>16,891</b>

### Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	9.56%	6.26%	2.84%	4.52%	5.59%
Operating EBITDA Growth	(9.44%)	(9.90%)	4.70%	4.04%	3.37%
Operating EBITDA Margin	11.6%	9.8%	10.0%	10.0%	9.7%
Net Cash Per Share (Rmb)	0.39	-0.94	-1.19	-0.82	-0.36
BVPS (Rmb)	3.32	2.37	2.01	2.08	2.15
Gross Interest Cover	24.35	10.02	12.84	18.82	31.18
Effective Tax Rate	26.7%	25.9%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	132%	139%	71%	72%	72%
Accounts Receivables Days	9.13	8.93	9.08	9.81	9.74
Inventory Days	28.38	32.45	31.99	28.50	26.80
Accounts Payables Days	60.84	60.61	61.18	60.49	60.96
ROIC (%)	22.6%	15.6%	16.1%	17.8%	20.4%
ROCE (%)	14.0%	12.2%	13.3%	14.1%	16.0%
Return On Average Assets	9.04%	7.54%	8.35%	8.94%	9.87%

### Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Noodles sales volume growth (%)	-6.5%	-1.4%	-2.8%	1.0%	2.1%
Beverage sales volume growth (%)	12.6%	-43.9%	100.0%	3.7%	4.8%
Noodles ASP growth (%)	3.1%	2.0%	2.0%	2.0%	2.0%
Beverage ASP growth (%)	6.7%	1.5%	1.5%	1.5%	1.5%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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Distribution of stock ratings and investment banking clients for quarter ended on 31 Dec 2023		
636 companies under coverage for quarter ended on 31 Dec 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

**Spitzer Chart for stock being researched ( 2 year data )**

**Tingyi (Cayman Islands) (322 HK)**



## Recommendation Framework

### Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
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*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.*

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