

Sino Biopharma

Further bonus share bring up liquidity

HOLD (unchanged)

Financial summary

Year to Dec	07A	08A	09F	10F	11F
Turnover (HK\$m)	1,164.32	282.23	360.64	072.64	637.5
Net Profit (HK\$m)	224.4	297.6	385.9	477.6	576.0
EPS (HK\$)	0.050	0.066	0.085	0.105	0.127
EPS Δ%	58.9	32.7	29.7	23.8	20.6
P/E (x)	48.4	36.5	28.2	22.8	18.9
P/B (x)	5.38	4.88	4.03	3.36	2.79
EV/EBITDA (x)	38.9	17.6	13.0	10.1	8.0
Yield (%)	1.3	1.2	1.6	2.0	2.4
ROE (%)	11.4	14.0	15.7	16.1	16.2
ROCE (%)	12.3	22.3	25.8	27.6	28.4
N. Gear. (%)	Cash	Cash	Cash	Cash	Cash

Source: SBI E2Capital

Price Performance

	1 mth	3 mth	12 mth
Relative to HSI (%)	+22.8	+86.9	+198.9
Actual price changes (%)	+16.1	+89.5	+328.6

	09F	10F	11F
Consensus EPS (HK\$)	0.101	0.130	0.157
Previous forecasts (HK\$m)	385.9	477.6	576.0
Previous EPS (HK\$)	0.128	0.158	0.191

Price Chart



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Ticker: 1177.HK
 Price: HK\$2.40
 Target: HK\$2.35 (-2%)

12 mth range: HK\$0.49-2.77
 Market cap: US\$1,399.9m
 Daily t/o, 3 mth: US\$2.5m
 Free float %: 43.5%

Key points:

* SB's share price adjusted down corresponding to the bonus share issue.

* Maintain HOLD, revising our target price to HK\$2.35, representing 22.3x and 18.1x ex-cash FY12/10F P/E.

Share price adjusted with issued bonus share. As mentioned in our previous report in 17 November 2009, SB announced to further issue one bonus share for every two existing shares. The determination date of entitlement to bonus share was 10 December 2009 and the bonus share will start dealing in 4 January 2010. SB's share price has adjusted down to reflect its bonus share issue. The liquidity of the counter has also got improved.

Maintain HOLD, revised target price to HK\$2.35. Corresponding to the bonus share, we revised our target price to HK\$2.35, which reflect the bonus share issue and 10% premium for the improved liquidity. The new target price represents 22.3x and ex-cash 18.1x FY12/10F P/E, corresponding to the issued bonus share. Maintain HOD.

Table 1: P&L

Year to Dec (HK\$m)	07A	08A	09F	10F	11F
Turnover	1,164.3	2,282.2	3,360.6	4,072.6	4,637.5
Cost of sales	(205.8)	(473.2)	(693.5)	(834.9)	(927.5)
Gross profit	958.5	1,809.0	2,667.2	3,237.7	3,710.0
Other income and gains	98.4	95.0	58.9	36.0	36.8
Selling and distribution costs	(503.8)	(876.6)	(1,328.5)	(1,588.3)	(1,762.3)
Administrative expenses	(154.7)	(305.5)	(424.3)	(488.7)	(556.5)
Other operating expenses	(53.7)	(112.5)	(200.4)	(244.4)	(278.3)
Operating profit	344.7	609.4	772.9	952.4	1,149.8
Finance costs, net	(2.6)	(9.1)	(7.8)	(8.1)	(7.0)
Share of profits of an associated	0.2	0.0	0.0	0.0	0.0
Profit before taxation	342.3	600.3	765.0	944.2	1,142.9
Taxation	(34.0)	(118.3)	(149.7)	(236.1)	(285.7)
Profit after tax	308.3	482.0	615.3	708.2	857.2
Minority interests	(84.0)	(184.4)	(229.4)	(230.6)	(281.2)
Profit attributable to shareholders	224.4	297.6	385.9	477.6	576.0
% chg	58.9	32.6	29.7	23.8	20.6
Dividends	135.8	135.8	169.8	214.9	259.2

Source: Company data & SBI E2Capital

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STRONG BUY : absolute upside of >50% over the next three months
BUY : absolute upside of >10% over the next six months
HOLD : absolute return of -10% to +10% over the next six months
SELL : absolute downside of >10% over the next six months

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