

# Vinda International (03331)

Focus on Premiumization,  
implement pricing initiatives to mitigate costs increases  
Consumer | Personal Care Products

26 August 2022

## Focus on premiumization, implement pricing initiatives to mitigate costs increases

For 1H2022, total revenue of Vinda International increased by 6.6% (growth at constant exchange rates:6.9%) to HK\$9,680mn. Overall revenue in 1Q2022/2Q2022 was HK\$4,566mn (+2.2%YoY) and HK\$5,114mn (+10.8%YoY) respectively. Net profit declined by 34.1% to HK\$638mn. Net profit for 1Q2022/2Q2022 was HK\$344mn (-37.8%YoY) and HK\$294mn(-29.1%YoY) respectively. The net profit margin narrowed by 4.0ppts to 6.6%. Basic EPS was 53.0 HK cents (1H2021: 80.6 HK cents), with interim dividend of 10.0 HK cents per share for the Period.

In terms of business segment, the tissue segment accounted for HK\$7,963mn of revenue, an increase of 6.1% YoY or 5.9% at constant exchange rates, representing 82% of the total revenue (1H2021: 83%). Focus on premiumization strategy has contributed to an increased share of premium portfolio. This effort to drive higher category margins helped to soften the impact of rising raw material costs and promotional pressures. However, gross margin of the tissue segment was still dropped to 31.6% (1H2021: 37.8%). Revenue from the personal care business increased by 9.0% to HK\$1,717mn in 1H2022, which was a 11.7% increase at constant exchange rates and represented 18% of the total revenue (1H2021: 17%). Gross margin of the personal care segment was 34.1% (1H2021: 35.3%).

In terms of sales channel, traditional channel, key accounts managed supermarkets and hypermarkets, B2B corporate clients and e-commerce platforms accounted for 26%, 23%, 10% and 41%, respectively, of the total revenue. As the dominant consumption channel, e-commerce revenue recorded an organic sales increase of 14.3%. Gross profit was down by 8.7% to HK\$3,100mn. Gross profit was negatively impacted by input costs pressures such as raw material, energy and distribution costs. Vinda took decisive actions including multiple pricing initiatives in mitigating input cost pressures. Although other mechanisms such as disciplined cost management and continuous product mix improvement were also deployed, gross margin was still dropped 5.4ppts to 32.0%.

## Company valuation

COVID containment measures in mainland China in response to COVID-19 resurgence has led to lower demand and logistic disruptions, Vinda's earnings were also negatively impacted by continuous rise in input (wood pulp prices at high levels) and logistic costs. However, the overall sales performance remained resilient. In addition, believed that Vinda will continue to implement pricing initiatives, and enhance cost management, to mitigate headwinds from raw material and other input costs increases, and expects that this unfavorable situation will be alleviated in the second half of the year. We expect FY2022E-FY2023E EPS to HK1.25 and HKD1.32 respectively, with TP HKD21.0, implies a FY2022E P/E of 16.8x, in line with its 5-years average. Our investment rating is "Neutral".

## Risk factors

1) Resurgence of COVID-19 in China; 2) Large fluctuations in wood pulp prices; 3) Economic recovery momentum slower than expected, consumer confidence weakens further; and 4) Industry competition is intense than expected.

## Neutral

CMP HKD21.2

(Closing price as of 22 August)

Target HKD 21.0 (-0.9%)

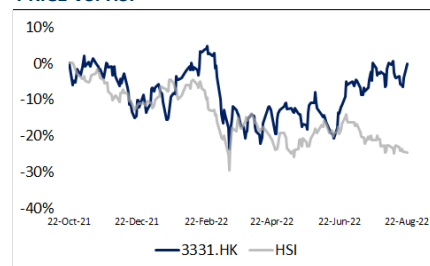
### COMPANY DATA

O/S SHARES (MN) :	1,203.275
MARKET CAP (HKD MN) :	25509.4
52 - WK HI/LO (HKD):	24.20/15.98

### SHARE HOLDING PATTERN, %

Essity Aktiebolag	51.69%
LI Chao Wang	21.89%

### PRICE VS. HSI



Source: Phillip Securities (HK) Research

### KEY FINANCIALS

HKD mn	FY20	FY21	FY22E	FY23E
Revenue	16,512	18,676	20,310	22,057
Net profit	1,874	1,638	1,502	1,590
Reported EPS	1.56	1.36	1.25	1.32
P/E ratio, x	13.6	15.5	17.0	16.1
Dividend Yield, %	2.2%	2.4%	2.0%	2.1%

Source: Company reports, Phillip Securities Est.

### Sr. Research Analyst

Eric Li (+852 2277 6516)

erichyli@phillip.com.hk

## Financial

**Consolidated Statement of Profit or Loss**

Dec Y/E, HKD mn	FY19	FY20	FY21	FY22E	FY23E
<b>Revenue</b>	16,074	16,512	18,676	20,310	22,057
COGS	(11,089)	(10,289)	(12,079)	(13,599)	(14,725)
<b>Gross Profit</b>	4,985	6,223	6,596	6,710	7,332
Selling expenses	(2,575)	(2,961)	(3,672)	(3,818)	(4,241)
General & Admin exp	(856)	(952)	(958)	(1,098)	(1,199)
Others	16	143	77	141	154
<b>Operating Profit</b>	1,570	2,453	2,044	1,935	2,046
Finance costs	(199)	(126)	(94)	(96)	(93)
Share of result of a JV	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
<b>Profit before tax</b>	1,371	2,326	1,950	1,839	1,952
Income tax	(232)	(452)	(311)	(337)	(363)
<b>Shareholders Net profit</b>	1,138	1,874	1,638	1,502	1,590
<b>Reported EPS, Diluted</b>	0.95	1.56	1.36	1.25	1.32
<b>DPS</b>	0.28	0.47	0.50	0.42	0.44
<b>Payout ratio</b>	29%	30%	37%	33%	33%
<b>Shares outstanding</b>	1,195	1,198	1,201	1,203	1,205

**Key Financial Data**

Dec Y/E	FY19	FY20	FY21	FY22E	FY23E
<b>Valuation Ratio</b>					
P/S ratio, x	1.6	1.5	1.4	1.3	1.2
P/E ratio, x	22.3	13.6	15.5	17.0	16.1
Dividend Yield, %	1.3%	2.2%	2.4%	2.0%	2.1%

**Per share data (HKD)**

EPS	0.95	1.56	1.36	1.25	1.32
BVPS	7.92	9.74	10.84	11.58	12.46
DPS (HKD)	0.28	0.47	0.50	0.42	0.44

**Growth & Margin**

	FY19	FY20	FY21	FY22E	FY23E
<b>Growth</b>					
Revenue Growth	8.0%	2.7%	13.1%	8.7%	8.6%
Gross Profit Growth	19.1%	24.8%	6.0%	1.7%	9.3%
Operating Profit Growth	53.9%	56.3%	-16.7%	-5.3%	5.7%
Net Profit Growth	71.8%	69.7%	-16.2%	-5.6%	6.1%
<b>Margin</b>					
Gross Profit Margin	31.0%	37.7%	35.3%	33.0%	33.2%
Operating Profit Margin	9.8%	14.9%	10.9%	9.5%	9.3%
Net Profit Margin	7.1%	11.4%	8.8%	7.4%	7.2%

**Key Ratios**

ROE	12.5%	17.7%	13.3%	11.2%	11.0%
ROA	5.9%	8.8%	6.9%	6.0%	5.9%

**Consolidated Statement of Financial Position**

Dec Y/E, HKD mn	FY19	FY20	FY21	FY22E	FY23E
<b>Non Current Asset</b>					
PPE	8,858	10,117	11,226	11,941	12,443
Others	4,494	4,633	4,595	4,530	4,473
<b>Total Non Current Assets</b>	13,352	14,751	15,821	16,472	16,916
<b>Current Asset</b>					
Inventory	3,223	4,774	4,427	5,082	5,073
Trade and other receivables	1,916	2,435	2,364	2,663	2,869
Bank balance and cash	460	749	1,025	1,321	1,971
Others	330	413	544	550	554
<b>Total Current Assets</b>	5,930	8,371	8,360	9,615	10,466
<b>Total Assets</b>	19,281	23,122	24,181	26,087	27,382
<b>Non Current Liabilities</b>					
Long-term debt	2,297	2,890	2,936	3,049	2,874
Other Non-current Liabilities	1,911	729	1,628	1,620	1,612
<b>Total Non-current Liabilities</b>	4,208	3,619	4,564	4,669	4,487
<b>Current Liabilities</b>					
Interest-bearing Borrowings	584	1,445	867	979	805
Trade payables	4,604	5,640	5,432	6,214	6,778
Others	422	749	300	304	302
<b>Total Current Liabilities</b>	5,610	7,835	6,598	7,498	7,886
<b>Equity</b>					
Shareholders' equity	9,463	11,667	13,019	13,921	15,009
Non-controlling interests	-	-	-	-	-
<b>Total equity</b>	9,463	11,667	13,019	13,921	15,009
<b>Total Liabilities and Equity</b>	19,281	23,122	24,181	26,087	27,382

**Consolidated Statement of Cash Flow**

Dec Y/E, HKD mn	FY19	FY20	FY21	FY22E	FY23E
<b>CFO</b>					
Profit before income tax	1,371	2,326	1,950	1,839	1,952
D&A add-back	1,109	1,148	1,248	1,123	1,213
Others	(120)	(574)	(540)	(337)	(363)
Net (Inc)/dec working capital	153	(896)	(12)	(172)	361
<b>Net cash flow from operating activities</b>	2,514	2,004	2,646	2,453	3,164
<b>CFI</b>					
Purchase of PP&E	(1,247)	(1,697)	(1,755)	(1,726)	(1,606)
Others	(25)	(28)	(5)	(48)	(51)
<b>Net cash flow from investing activities</b>	(1,273)	(1,725)	(1,759)	(1,774)	(1,657)
<b>CFE</b>					
Dividends paid	(251)	(372)	(564)	(600)	(501)
Others	(1,096)	341	(74)	217	(356)
<b>Net cash flows from financing activities</b>	(1,347)	(31)	(638)	(383)	(857)
<b>Net Change in Cash</b>	(106)	248	248	295	650
<b>Cash and CE at Y/E</b>	460	749	1,025	1,321	1,971

Current Price as of: August 22

Source: PSHK Est.

**PHILLIP RESEARCH STOCK SELECTION SYSTEMS**

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm$ 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

**GENERAL DISCLAIMER**

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

**Disclosure of Interest**

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report

Firm's Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

**Availability**

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product's risks, please visit the Risk Disclosures Statement on <http://www.phillip.com.hk>.

© 2022 Phillip Securities (Hong Kong) Limited

**Contact Information (Regional Member Companies)**
**SINGAPORE**
**Phillip Securities Pte Ltd**

250 North Bridge Road, #06-00 Raffles City Tower,  
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

[www.phillip.com.sg](http://www.phillip.com.sg)

**INDONESIA**
**PT Phillip Securities Indonesia**

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,  
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

[www.phillip.co.id](http://www.phillip.co.id)

**THAILAND**
**Phillip Securities (Thailand) Public Co. Ltd.**

15th Floor, Vorawat Building, 849 Silom Road,  
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

[www.phillip.co.th](http://www.phillip.co.th)

**UNITED STATES**
**Phillip Futures Inc.**

141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

**MALAYSIA**
**Phillip Capital Management Sdn Bhd**

B-3-6 Block B Level 3, Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

[www.poems.com.my](http://www.poems.com.my)

**CHINA**
**Phillip Financial Advisory (Shanghai) Co. Ltd.**

No 436 Heng Feng Road, Green Tech Tower Unit 604  
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

[www.phillip.com.cn](http://www.phillip.com.cn)

**FRANCE**
**King & Shaxson Capital Ltd.**

3rd Floor, 35 Rue de la Bienfaisance  
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

[www.kingandshaxson.com](http://www.kingandshaxson.com)

**AUSTRALIA**
**PhillipCapital Australia**

L Level 10, 330 Collins Street  
Melbourne VIC 3000 Australia

Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277

[www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**HONG KONG**
**Phillip Securities (HK) Ltd**

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

[www.phillip.com.hk](http://www.phillip.com.hk)

**JAPAN**
**Phillip Securities Japan, Ltd**

4-2 Nihonbashi Kabutocho, Chuo-ku  
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

[www.phillip.co.jp](http://www.phillip.co.jp)

**INDIA**
**PhillipCapital (India) Private Limited**

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,  
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

[www.phillipcapital.in](http://www.phillipcapital.in)

**UNITED KINGDOM**
**King & Shaxson Ltd.**

6th Floor, Candlewick House, 120 Cannon Street  
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

[www.kingandshaxson.com](http://www.kingandshaxson.com)

**SRI LANKA**
**Asha Phillip Securities Limited**

Level 4, Millennium House, 46/58 Navam Mawatha,  
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

[www.ashaphillip.net/home.htm](http://www.ashaphillip.net/home.htm)