

November 22, 2016
Coverage Initiation

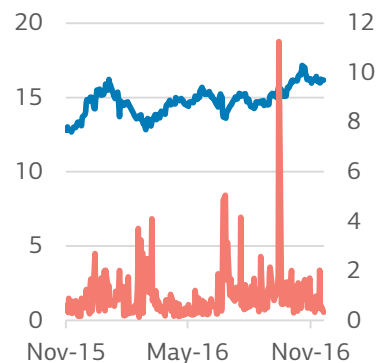
Tim Murray
tim@jcapitalresearch.com

+852 5223 8703

Vitasoy International Holdings (0345 HK)

| | |
|--------------|------------------|
| Price | HKD 16.14 |
| Rating | BUY |
| Price Target | HKD 20.43 |
| TTM P/E | 31.75x |
| Avg. Volume | 1.42 mln shares |
| Yield | 1.88% |
| Float | 79% |

Vitasoy International Holdings (0345 HK) last share price in HKD (blue) and volume (pink, in mln shares)



Source: Bloomberg, w November 22, 2016

Vitasoy International Holdings (0345 HK)

Sustaining High Growth

▶ EBIT Growth of 15%

We expect Vitasoy revenue and EBIT to grow by at least 15% a year over the next decade due to the company's high growth in China.

▶ Increased Penetration

Vitasoy should achieve 20-25% or higher growth in established cities in China. In addition, increased market penetration, through launches in new cities in Central and North China will add a further 5% to growth to achieve total sales growth of 25-30%.

▶ Strong Distribution Incentives

Vitasoy has a winning market-entry strategy of offering strong profits to distribution channels and taking market share from street vendors serving non-standardized soy beverages.

▶ Expect a Strong Half

The results for H1 of FY 2017 will be released on November 29, and we expect a strong result. We expect China sales growth to be 27-30%. The last half was weak, with one-time expenses associated with the new factory completion in Wuhan.

▶ Our Recommendation

We initiate coverage with a BUY rating and a price target of HKD 20.43, an upside of 27% to the current price. We arrive at our target using a DCF method with a WACC of 8% and a terminal growth rate of 4%.

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Vitasoy has had a great summer, with strong sales of lemon tea in established markets and strong soy milk sales growth.

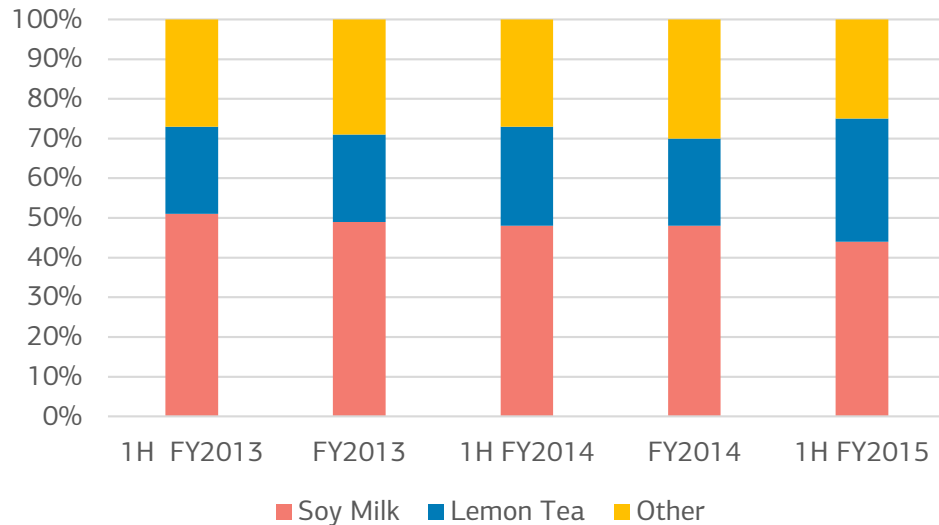
China Market Penetration Delivering High Growth

Vitasoy is a quiet achiever with a solid sales base in South China and increasing penetration in North and Central China. Our survey of Vitasoy’s sales and marketing in summer 2016 (which was the first half of Vitasoy’s 2017 fiscal year) indicates the company has had a great summer, with strong sales of lemon tea in established markets and strong soy milk sales growth based on penetration into around 15 new cities this year. We believe the unusually low growth in H2 FY 2016 was a once-off correction, and Vitasoy is now back on its growth track.

The Basics

Vitasoy is a soy milk drink company founded in 1940 in Hong Kong and listed on the Hong Kong Stock Exchange in 1994. After becoming the dominant soy milk company in Hong Kong, Vitasoy expanded to North America, Southeast Asia, and Australia. Although Vitasoy established factories in Mainland China in the early 1990s, its business there did not take off until 2007, when the company’s China revenue was only 10% of total. Now China revenue is 43%, and China is the driver of profit growth. Vitasoy is divesting other international businesses, North America among them, to focus on the rapid growth in China.

Chart 1. Vitasoy Global Product Mix



Source: Company presentations

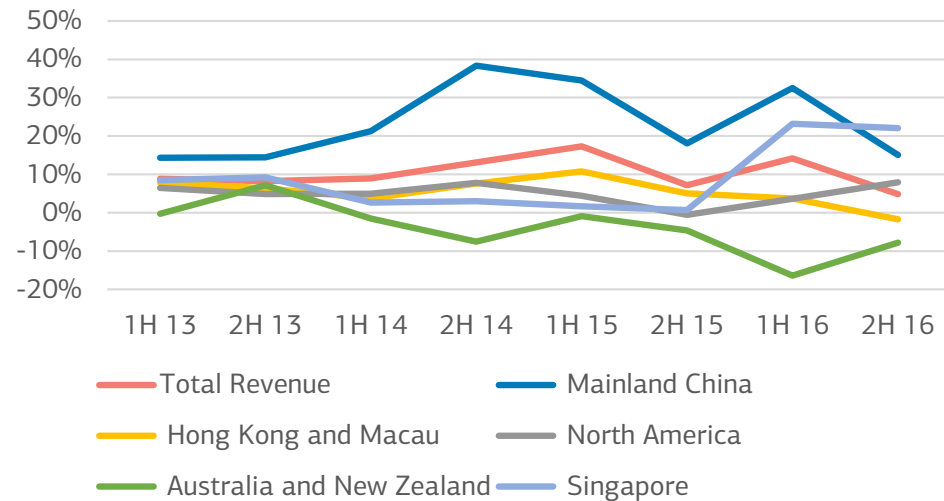
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Vitasoy's net margin has averaged 10-12% over the past five years, outstanding compared with other beverage companies in the region.

Vitasoy-branded soy milk drinks are the company's core product, followed by ready-to-drink (RTD) lemon tea. Vitasoy also produces fruit juice, water, and tofu under the Vita brand.

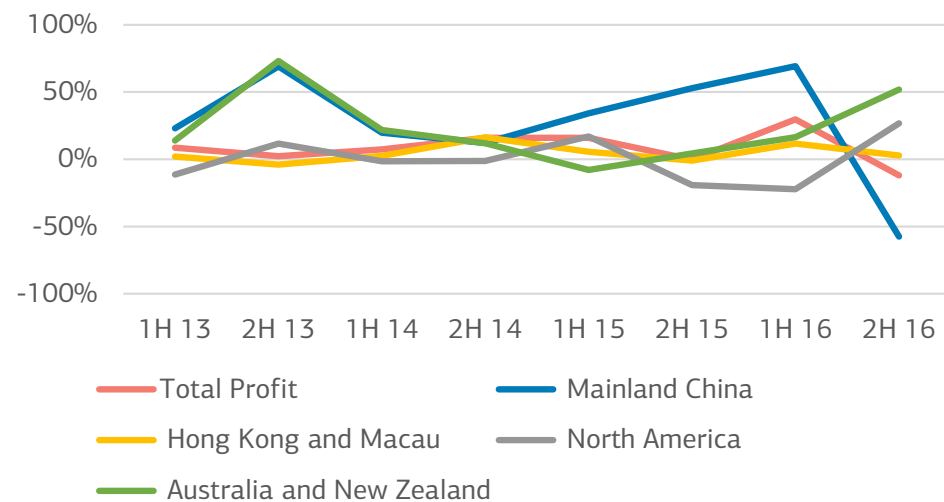
Vitasoy's net margin has averaged 10-12% over the past five years, outstanding compared with other beverage companies in the region.

Chart 2. Vitasoy Revenue Growth by Region



Source: Company reports

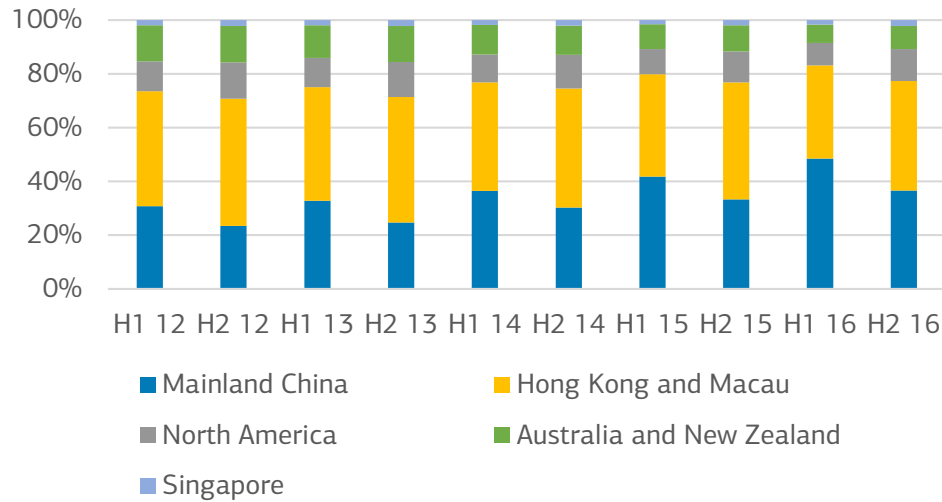
Chart 3. Vitasoy Profit Growth by Region



Source: Company reports

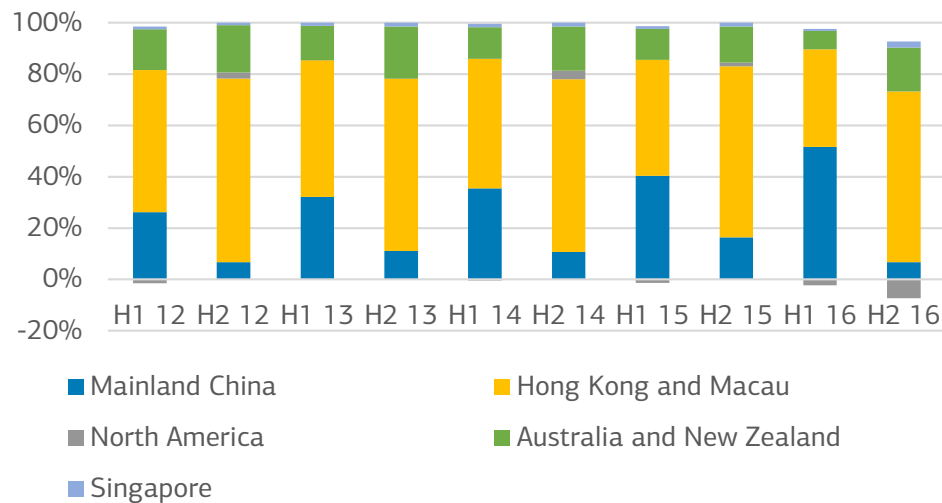
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Chart 4. Regional Revenue by %



Source: Company reports

Chart 5. Regional Profit by %



Source: Company reports

What Happened Last Year?

Vitasoy revenue and profit have been growing by over 10% (CAGR) for the last three years, driven by China Mainland revenue growth of over 25% (CAGR) and similar profit growth. That streak ended abruptly in the second half of 2016, a period that ends on March 30 for Vitasoy. In that half, revenue growth halved, from 33% to 15%, and profit fell from 69% growth to a decline of 58%.

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Vitasoy blames an exceptionally cold winter for the fall in revenue growth, saying the fall in profits was due to a new factory opening.

The second half, being winter, is always seasonally worse, but this half was significantly worse. Vitasoy blames an exceptionally cold winter for the fall in revenue growth, while it says the fall in profits was due to the opening of a new factory in Wuhan in March 2016. That had increased staffing and sales and marketing costs even before it opened.

Historically, as Vitasoy grows its market in Mainland China, margin improves with higher capacity utilization. When a new factory is opened, margins fall as capacity utilization falls. That occurred in 2011-2012, when the company opened a new factory that more than doubled production capacity in China: net margins fell from 12% to 8%.

The opening of the new factory in Wuhan appears to be planned to avoid this mistake. The factory has been built to increase capacity by 30% but it will come online in two phases. This year, capacity will grow by only 15%, and that should match sales growth. Our checks at the Wuhan Vitasoy facility in September 2016 indicate capacity utilization is at 80%. It produces soy milk and lemon tea and operates for 12 hours every day with two shifts. Utilization will remain high across Vitasoy operations in China. The next incremental increase in capacity will also have low capital cost, as it will entail the installation of new machinery and not a new plant.

Table 1. Vitasoy Production Facilities in Mainland China

| | Commenced Production | Investment (RMB mlns) | Annual Production Value (RMB mlns) | Best Estimate Annual Production (tons) |
|-------------------------|----------------------|-----------------------|------------------------------------|--|
| Shenzhen Vitasoy | 1991 | 200 | 400 | 55,000 |
| Shanghai Vitasoy | Aug 1995 | 240 | 400 | 55,000 |
| Foshan Vitasoy | Nov 2011 | 400 | 1,200 | 160,000 |
| Wuhan Vitasoy | Mar 2016 | 500 | 300 | 40,000 |
| Total | | 1340 | 2300 | 310,000 |

Source: J Capital, Company websites and reports

The poor profit performance in China in H2 FY 2016 appears to be a function of the once-off fixed costs associated with expanding capacity. We expect that the company returned to profit summer 2016 and will show better results when it reports on November 29.

Vitasoy China growth is based on taking market share in soy drinks from the fragmented breakfast market. Vitasoy builds on that base as the market

Vitasoy is the market leader, dominating the RTD subcategory with market share greater than 70%.

matures to create a premium-branded beverage for young consumers.

Soy milk is a small category, and the company required additional products in order to grow in China. Vitasoy has successfully used its brand strength to launch a lemon tea product in the much larger RTD tea category, which became successful in China in 2013.

Vitasoy’s opportunity is higher penetration through geographic expansion outside of its South China heartland. We do not see new competition as a large threat. In fact, competitors are welcome, since they help expand the category.

The Market

Soymilk is a surprisingly broad and fragmented category. It includes soy drinks made fresh (豆浆) at breakfast stands around China, instant soy milk drinks like those produced under the WeiWei brand of VV Food and Beverage Co (600300 SH), the prepared soy drinks served at KFC and local chains like Yonghe Soy Milk, and ready-to-drink (RTD) soy beverages such as Vitasoy.

Vitasoy is the market leader, with 14% of the overall soy milk category, dominating the RTD subcategory with market share greater than 70%.

Table 2. China Soy Milk Market and Vitasoy Market Share

| | Market by Retail Value (RMB blns) | | | CAGR | |
|---------------------------------|-----------------------------------|------|-------|---------|----------|
| | 2009 | 2014 | 2019E | 2009-14 | 2014-19E |
| Soy milk beverages | 6.0 | 9.2 | 13.5 | 9.0% | 8.0% |
| Soy milk branded RTD | 0.8 | 1.8 | 4.3 | 19.0% | 19.0% |
| Vitasoy China Soy milk | 0.5 | 1.3 | 3.1 | 21.0% | 19.0% |
| Vitasoy Share of RTD Soy | 62% | 72% | 72% | | |

Source: Euromonitor, J Capital

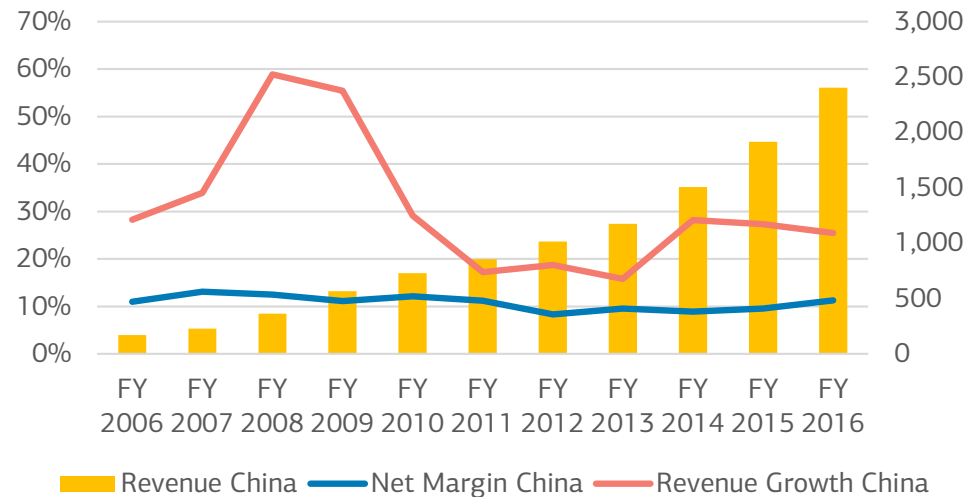
Vitasoy has good market penetration in its core markets of South and East China, where the company established production facilities in the mid 1990s. Vitasoy was slow to develop domestic China sales. From 1995 to 2005 the production facilities in Shenzhen and Shanghai exported to Vitasoy’s main market in Hong Kong. The domestic Chinese market did not break even until FY 2005 and did not take off until FY 2007. Revenue

growth exceeded 50% in FY 2008 and FY 2009. Growth returned to market averages in the fiscal years 2010-2013. Under the leadership of an experienced FMCG beverage CEO, the company again returned to above-market market growth of 25-28%.

Vitasoy CEO Roberto Guidetti is a highly experienced, Chinese-speaking executive who was a vice president for over seven years at Proctor and Gamble in Taiwan and China and five years as vice president at The Coca-Cola Company in China. He joined the company in April 2013 and drove mainland China revenue to strong growth, above 30%.

The China business returned to strong growth from in 2014 and eclipsed sales in Vitasoy’s other regions. China has now surpassed Vitasoy’s core market of Hong Kong. Other international markets like North America and Australia have been in decline, and the company has now divested the North American operations to focus on its high-growth China market.

Chart 6. Vitasoy China Revenue and Margin



Source: Company data

Sales and Marketing Survey

We surveyed 10 distributors in eight cities, which represent 18% of Vitasoy sales. No one distributor has more than 5% of total sales. Of the 10, four are in South China, two in East China, one in Central China, and three in North China. In addition, we interviewed 10 breakfast restaurants in Wuhan.

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The combination of mature-market growth and newer markets should ensure a growth rate in the range of 25-30% over the next five years.

Vitasoy has two clear markets in China: the mature markets of South and East China and the new markets of Central and North China. In mature markets, growth is around 20-25% as market penetration is higher and new products drive growth. In the new markets of Central and North China, growth is around 35-40%, as Vitasoy is launching in new cities and taking market share from commodity soy drinks. The combination of strong mature-market growth and share gain in the newer markets should ensure that Vitasoy maintains a growth rate in the range of 25-30% over the next five years.

Survey Results: Summer Sales Growth ~27%

We expect Vitasoy to announce sales growth in mainland China in the range 25-30%. Summer is always the best season for beverage companies, and Vitasoy's first half (March–September) always outperforms the second. The company has reported growth over 30% for each of the first halves in the last two years. The largest sales region, South China, has returned to growth of 20% after a weaker showing in recent years.

Lemon tea is a larger share of sales in the mature market of South China, and lemon tea sales are highly seasonal. Lemon tea sales growth in H1 was around 28%.

Table 3. Estimated Sales and Sales Growth by Region Summer 2016

| | Share of Sales | Growth Rate |
|--------------------------------|----------------|-------------|
| South China | 60% | 24% |
| East China | 15% | 22% |
| Central and North China | 25% | 38% |
| Total Growth | | 27% |

Source: J Capital survey

Table 4. Estimated product share of sales by Region Summer 2016

| | Soy Milk | Lemon Tea | Other |
|--------------------------------|----------|-----------|-------|
| South China | 36% | 53% | 11% |
| East China | 37% | 58% | 5% |
| Central and North China | 43% | 43% | 14% |

Source: J Capital survey

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We expect the upside to sales growth in the first half will come from launching into around 15 new cities focusing on Central China around Wuhan, where the new factory came online at the beginning of summer.

Soy milk

The reclaimable glass bottle is targeted at the breakfast restaurants that sell soy milk beverages made on premises or nearby. These commodity soy beverages sell for RMB 2 and are served in a plastic cup or bag. Vitasoy product sells for RMB 3 in a glass bottle.



Reclaimable Vitasoy Soy Milk bottles stacked outside the Vitasoy Wuhan factory ready for distribution. Source: J Capital September 2016

This strategy requires a production facility adjacent to the market, as reclaimable bottles are cheaper but require two-way logistics. The logistics of reclaimable bottles can make low-priced beverages unprofitable over longer distances. This is key to the Vitasoy market-entry strategy in new markets. Rather than selling a premium product, Vitasoy sells a drink that takes market share from commodity beverages. Competitors are all competing in the smaller premium product price range with their soy offering.

Table 5. Sales Growth by City Tier and Product Type

| | S. T3 | S. T1 | S. T1 | S. T1 | E. T1 | E. T3 | C. T2 | N. T2 | N. T2 | N. T2 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Soy Milk | 11% | 20% | 18% | 16% | 10% | 11% | 25% | 10% | New | 20% |
| Lemon Tea | 18% | 50% | 23% | 25% | 30% | 26% | 40% | 30% | New | 25% |

Source: J Capital

Vita Lemon Tea has become a key product in Vitasoy's China portfolio.

Table 6. Product Type Sales Share and Growth, Summer 2016

| | Share of Sales | Growth Rate |
|----------------|----------------|-------------|
| Soy Milk | 38% | 18% |
| Lemon Tea | 51% | 29% |
| Other | 11% | 19% |
| Average Growth | | 24% |

Source: J Capital survey

Lemon tea

Vita RTD lemon tea is positioned for young people and targets senior high school and university students and young white collar workers. Marketing is focused on promotions on university campuses. Vita Lemon Tea has a premium price position and sells for almost double the price of Tingyi and Uni-President products. It has less sugar and a stronger tea taste than the beverages sold by competitors. Vita Lemon Tea has become a key product in Vitasoy's China portfolio. We believe this product is most vulnerable to competitors; intense competition in this category could harm Vitasoy's performance.



Vita RTD Lemon Tea in Wuhan wholesale market. | Source J Capital, September 2016

Survey Results: Wuhan Retail Market

Vitasoy has opened a new factory in Wuhan, where we conducted a retail survey of breakfast restaurants. We visited 10 restaurants and estimate this represented around 2% of Vitasoy sales in Wuhan. The average growth

rate of soy milk sales was 16%, slightly lower than the national average.

Retailers began selling Vitasoy soy milk between two and six years ago. Vitasoy built a solid market in Wuhan before opening its factory in the city. Retailers sell a bottle for RMB 3 and purchase for RMB 2, receiving a margin of 33%. The retailers that sell fresh soy milk sell a 250 ml serve for RMB 2 at a cost of RMB 1, earning the same amount as selling Vitasoy. Retailers do not pay deposits, and distributors deliver full bottles and pick up empty bottles.

Table 7. Wuhan Breakfast Restaurant Summer 2016 Sales of Vitasoy in Glass Bottles

| | R1 | R2 | R3 | R4 | R5 | R6 | R7 | R8 | R9 |
|-------------------------------|-----|-------|-----|-----|-------|-----|-----|-----|-----|
| Soy Milk SKU/month | 480 | 2,880 | 312 | 720 | 1,440 | 504 | 480 | 312 | 240 |
| Growth Rate YoY | 10% | 25% | 15% | 5% | 10% | 3% | 25% | 10% | 0% |
| Years sold Vitasoy | 3 | 4 | 4 | 3 | 5 | 6 | 5 | 3 | 2 |
| Selling Fresh Soy Milk | No | No | No | No | Yes | Yes | No | No | No |

Source: J Capital

Survey Results: Sales in New Cities

We estimate Vitasoy has a sales presence in 50–60 cities in China and have launched in 15 new cities this year in Central and North China, mainly Tier 3 and Tier 4 cities. Sales in established cities in Central and North China grew by around 26%. Opening new cities is delivering an estimated further 12% growth to those sales regions.

In a 200 km radius around Wuhan, there are eight cities with populations ranging from 600,000 to 5 mln. Transport to those cities from Wuhan is relatively efficient and cost effective. Vitasoy has launched in other northern cities, such as Qingdao, in 2016. Our strong conviction on Vitasoy’s sustained high sales growth over the next 10 years is based on its current low penetration and the opportunity to continue to launch in new cities.

Survey Results: Distribution Strategy

Key to Vitasoy’s success is the company’s distributor strategy. Vitasoy

gives a large margin to distributors, a typical strategy for a company that limits advertising and pushes channel sales. Distributors are more willing to take on Vitasoy products, despite lower marketing spend, as they can get the same profit from lower volumes as they can get from the lower margin. Distributors can earn between RMB 4.5 and RMB 27.6 per case of Vitasoy product. Almost all distributors on all product types will earn at least RMB 10 per case. Competitor FMCG beverage manufacturers like Tingyi and Uni-President, with much higher volumes and advertising, give distributors only RMB 1–2 per case.

Table 8. Distributor Pricing and Margin by City Tier (250 ml Tetrapak)

| | S. T1 | S. T3 | E. T1 | E. T3 | C. T2 | N. T2 | N. T2 | |
|------------------|----------------------------------|-------|-------|-------|-------|-------|-------|------|
| Soy Milk | Factory Price RMB/SKU | 1.72 | 1.6 | 1.4 | 1 | 1.25 | 1.35 | 1.8 |
| | Distributor Price RMB/SKU | 2.06 | 2.5 | 1.90 | 2 | 1.66 | 2.5 | 2.4 |
| | Margin RMB/SKU | 0.34 | 0.9 | 0.5 | 1 | 0.41 | 1.15 | 0.6 |
| | Margin RMB per case | 8.16 | 21.6 | 12 | 24 | 9.84 | 27.6 | 14.4 |
| | Margin % | 17% | 36% | 26% | 50% | 25% | 46% | 25% |
| Lemon Tea | Factory Price RMB/SKU | 1.72 | 1.4 | — | — | 1.58 | 1.85 | 1.8 |
| | Distributor Price RMB/SKU | 1.91 | 2.4 | — | — | 2.08 | 3 | 2.4 |
| | Margin RMB/SKU | 0.19 | 1 | — | — | 0.5 | 1.15 | 0.6 |
| | Margin RMB per case | 4.56 | 24 | — | — | 12 | 27.6 | 14.4 |
| | Margin % | 10% | 42% | 50% | 50% | 24% | 38% | 25% |

Source: J Capital

In mature markets like South China, Vitasoy supplies product at higher prices to distributors, while in newer markets the price is lower to give distributors higher margins. Mature markets are more heavily dominated by modern channels such as convenience stores, supermarkets, and online channels, where the channel has more power over the retail price. Mature

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markets tend to have lower margins than developing markets like North and Central China.

Vitasoy has typical distributor incentives based on the value of monthly, quarterly, and annual sales. In South China, a distributor with RMB 1 mln in sales will get a 1% annual rebate and 1.5% if it achieves RMB 1.5 mln. Meeting monthly and quarterly sales targets may earn free product for the distributor. In a new market such as a North China Tier 2 city the sales targets will be lower and the rebates higher, like 3%. Rebates are paid as a discount on the next purchase.

Large, established distributors in South China will get credit terms of up to 45 days of sales or up to a certain credit limit, like RMB 100,000. Distributors describe Vitasoy terms as equivalent to those offered by other brands.

Vitasoy supports distributors in new markets with sales teams. In a North China Tier 2 city, Vitasoy employs one district manager, one education campus sales supervisor, and one supervisor for other channels, and each supervisor has 4–5 sales staff. Vitasoy has a total of 12–15 staff in that city, compared with competitor WeiWei, which has just one sales manager without staff.

Survey Results: Frugal Marketing

Vitasoy is a frugal marketer in an expensive advertising market. With the new Wuhan plant open for the summer, the Interim reporting period, we expect sales volume to increase and sales and marketing expenses as a share of revenue to fall 1-2% and net margins to rise by the same.

Vitasoy maintains good net margins, in the range of 10-13%, through a disciplined approach to marketing. The company spends very little on expensive, above-the-line advertising. Television commercials (TVC) are limited to local stations in established markets and some online video, which is most likely gifted as a bonus for advertising spend on Phoenix Channel in Hong Kong. Outdoor advertising on buses and bus shelters is limited to the core market of South China. The bulk of marketing is focused on promotions in modern channels and on university campuses. In non-core markets in Central and North China, only sales-focused marketing is used, through discounts and product gifts. Clearly, Vitasoy spends less on advertising than leading beverage companies in China.

Vitasoy sales and marketing as a share of revenue have increased in recent years from 25% to 27%, and this has been key to net margins in the lower end of the historical range, at 10%. The company stated in FY 2016 that it

Vitasoy is a frugal marketer in an expensive advertising market.

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Table 9. Vitasoy Marketing Summer 2016

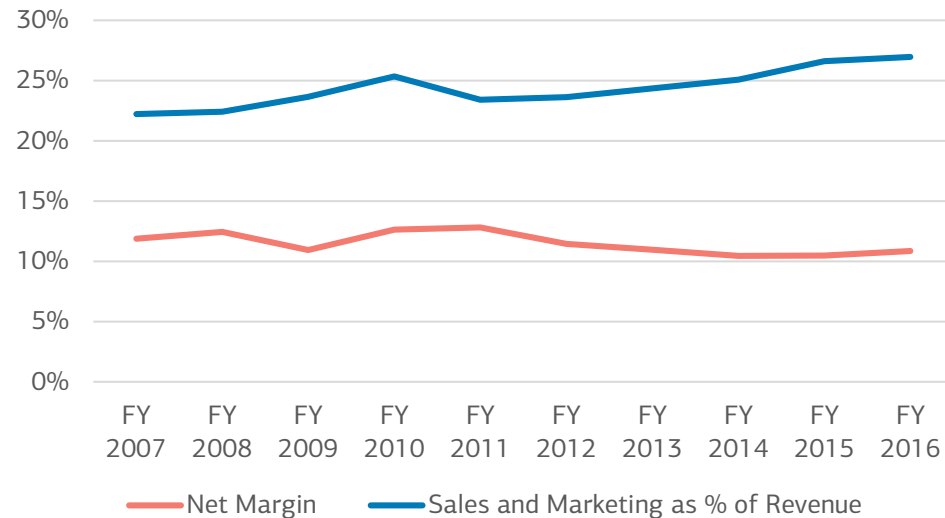
| | S. T1 | S. T3 | E. T1 | E. T3 |
|--|---|---|---|---|
| TVC | ✓ | ✓ | ✓ | |
| Outdoor | ✓ | ✓ | ✓ | |
| Internet | ✓ | ✓ | ✓ | ✓ |
| Promotions | ✓ | ✓ | ✓ | ✓ |
| Marketing relative to competitors | Less | More | Same | Less |
| Marketing description | TVC on office tower screens, bus stop outdoor, online video 15 sec TVC, conience store promotion, discount promotions | TVC on local channel, bus stop outdoor, bus outdoor, retail store signage, online video ads (Phoenix), university campus promotions | Bus shelter outdoor, advertorial on TV, TVC on office screens, | Instore and event promotions, university campus events, and event sponsorship |
| | C. T2 | N. T2 | N. T2 | |
| TVC | | | | |
| Outdoor | | | ✓ | |
| Internet | | | ✓ | |
| Promotions | ✓ | ✓ | ✓ | |
| Marketing relative to competitors | Less | Less | More | |
| Marketing description | Buy one get one free (BOGOF) | Discount and BOGOF | Retail store signage, menu sponsorship, BOGOF, UTC, purchase gift | |

Source: J Capital

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had spent more on advertising to “reinforce core brands and support new products.” Sales costs rose with a larger sales team. We expect that, with the Wuhan plant now in operation, this trend will slow or reverse.

Chart 7. Sales and Marketing Expenses



Source: Company reports

Competitors

The Singaporean brand Yeo’s (Y03 SG) is considered a distant competitor in the China market. Yeo’s has a manufacturing facility in Foshan that we estimate from Yeo’s company reports has around 40,000 tons of production capacity and about RMB 300 mln in annual sales in China or 7% of the RTD soymilk market. Yeo’s has growth of around 10-15%, which is below the market growth. We estimate that WeiWei, an instant soy milk beverage, has about 4.5% of the total soy milk market.

Mengniu (2319 HK), one of the top two national milk brands in China, formed a joint venture in China in December 2014 with Whitewave (WWAV US), a U.S. leader in plant-based beverages. The joint venture began by producing walnut- and almond-based beverages and launched a soy milk drink in May 2016 under the Whitewave Silk brand. The revenues of the joint venture would be less than RMB 50 mln or 5% of Vitasoy’s China revenue. Mengniu’s marketing and distribution strength have the potential to make Silk brand a competitor to Vitasoy. We visited Zhengzhou, the production base for the Whitewave joint venture, and found a very low presence of the Silk brand. Vitasoy had better distribution in the Zhengzhou market.

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Having a competitor in the RTD soy milk market may not have an entirely negative effect on Vitasoy as it could serve to grow the category rather than take market share.

Other major beverage companies in China, such as the fruit juice giant Huiyuan (1886 HKG) and Coke (KO US), have moved into the plant-based beverages space. These large-scale national beverage sales and marketing companies also pose a potential threat to Vitasoy growth.

Valuation TP HKD 20.43

We value Vitasoy using a DCF model with a WACC of 8% and a terminal growth rate of 4% our price target is HK\$20.43 a 27% upside to the current price. A PE approach yields a similar price target with a multiple of 30x 2019 earnings.

Table 10. DCF Approach

| | | Discount Rate | | |
|----------------------|----|---------------|-------|-------|
| | | 7.5% | 8.5% | 9.5% |
| Terminal Growth Rate | 3% | 21.34 | 17.22 | 14.37 |
| | 4% | 26.62 | 20.43 | 16.50 |
| | 5% | 36.13 | 25.47 | 19.56 |

Source: J Capital

Risks

- ▶ Currency Depreciation: We have not factored currency depreciation into our model. Vitasoy reports in Hong Kong Dollars and has the greatest exposure to the RMB.
- ▶ A strong competitor in the Lemon Tea or Soy Milk category that is able to take market share from Vitasoy.

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Table 11. Proforma Income Statement

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | | | | | | | | |
| China | 2,404 | 3,077 | 3,847 | 4,808 | 5,914 | 7,274 | 8,729 | 10,475 |
| Hong Kong and Macau | 2,069 | 2,152 | 2,238 | 2,328 | 2,421 | 2,518 | 2,618 | 2,723 |
| Australia and New Zealand | 420 | 437 | 454 | 472 | 491 | 511 | 531 | 552 |
| Singapore | 106 | 111 | 117 | 123 | 129 | 135 | 142 | 149 |
| North America | 552 | 166 | 166 | 166 | 166 | 166 | 166 | 166 |
| Others | — | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 5,552 | 5,943 | 6,822 | 7,897 | 9,121 | 10,604 | 12,187 | 14,066 |
| Revenue Growth | | | | | | | | |
| China | 25% | 28% | 25% | 25% | 23% | 23% | 20% | 20% |
| Hong Kong and Macau | 1% | 4% | 4% | 4% | 4% | 4% | 4% | 4% |
| Australia and New Zealand | -12% | 4% | 4% | 4% | 4% | 4% | 4% | 4% |
| Singapore | 23% | 5% | 5% | 5% | 5% | 5% | 5% | 5% |
| North America | 6% | -70% | 0% | 0% | 0% | 0% | 0% | 0% |
| Total | 10% | 7% | 15% | 16% | 16% | 16% | 15% | 15% |
| COGS | -2,726 | -3,031 | -3,479 | -4,027 | -4,652 | -5,408 | -6,215 | -7,174 |
| Gross Profit | 2,826 | 2,912 | 3,343 | 3,869 | 4,469 | 5,196 | 5,972 | 6,892 |
| GP Margin | 50.9% | 51.0% | 51.0% | 51.0% | 51.0% | 51.0% | 51.0% | 51.0% |
| OPEX | | | | | | | | |
| Marketing, Selling, and Distribution | -1,497 | -1,545 | -1,774 | -1,974 | -2,280 | -2,545 | -2,925 | -3,376 |
| Admin | -468 | -475 | -546 | -632 | -730 | -848 | -975 | -1,125 |
| Other Operating Expense | -289 | -297 | -341 | -355 | -410 | -424 | -487 | -563 |
| Total | -2,254 | -2,318 | -2,660 | -2,961 | -3,420 | -3,817 | -4,387 | -5,064 |
| As % Sales | | | | | | | | |
| Marketing, Selling, and Distribution | 27.0% | 26.0% | 26.0% | 25.0% | 25.0% | 24.0% | 24.0% | 24.0% |
| Admin | 8.4% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Other Operating Expense | 5.2% | 5.0% | 5.0% | 4.5% | 4.5% | 4.0% | 4.0% | 4.0% |
| Operating Profit | 571 | 594 | 682 | 908 | 1,049 | 1,379 | 1,584 | 1,829 |

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| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------|------|------|------|-------|-------|-------|-------|-------|
| Other Revenue | 32 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| Profit from Operations | 603 | 629 | 717 | 943 | 1,084 | 1,414 | 1,619 | 1,864 |
| Finance Costs | -4 | -4 | -4 | -4 | -4 | -4 | -4 | -4 |
| PBT | 599 | 625 | 713 | 939 | 1,080 | 1,410 | 1,615 | 1,860 |
| Income Tax | -34 | -125 | -143 | -188 | -216 | -282 | -323 | -372 |
| Profit | 565 | 500 | 571 | 751 | 864 | 1,128 | 1,292 | 1,488 |
| Profit from Operations | 603 | 629 | 717 | 943 | 1,084 | 1,414 | 1,619 | 1,864 |
| Interest Income | -2 | -2 | -2 | -2 | -2 | -2 | -2 | -2 |
| EBIT | 601 | 627 | 715 | 941 | 1,082 | 1,412 | 1,617 | 1,862 |
| D&A | 211 | 238 | 273 | 316 | 365 | 424 | 487 | 563 |
| EBITDA | 812 | 865 | 988 | 1,257 | 1,447 | 1,836 | 2,105 | 2,424 |

Source: J Capital

November 22, 2016

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