

MITA No. 018/06/2007

15 February 2008

Pacific Andes Holdings

Maintain

BUY

Previous Rating: BUY

\$S0.495

Fair Value: \$S0.825

Stock Code:
Reuters: PACF.SI
ISIN Code: P11
Bloomberg: PAH SP

Event: Results

General Data

Issued Capital (m)	1,350
Mkt Cap (\$m/US\$m)	668/471
Major Shareholder	PAIH (65%)
Free Float (%)	28
NAV per share (HK\$)	3.15
Daily Vol 3-mth ('000)	1,649
52Wk High (\$)	1.050
52Wk Low (\$)	0.410

Strong 3Q and with 4Q expected to shine

Strong 3Q and on track to deliver even stronger 4Q. Pacific Andes Holdings (PAH) has delivered a strong set of 3Q FY3/08 results. Net profit rose 153% YoY to HK\$78.8m, while revenue increased 52% to HK\$1113.0m. Once again, the strong performance was largely supported by the strong contribution from China Fishery Group (CFG), which posted a 125% YoY increase in 4Q FY12/07 earnings to US\$18.2m on a 124% rise in revenue to US\$78.5m. For the full year, CFG's net earnings grew 85% to US\$88.5m. With 9-mth earnings of HK\$261m, up 61% YoY, this accounted for about 51% of our FY08 estimate for PAH. As PAH's 4Q is traditionally its strongest quarter due to the peak fishing season in the North Pacific, we are comfortable that PAH should be able to deliver the balance 49% by end-FY08, buoyed by several positive developments including higher roe sales in 4Q.

Several growth drivers. With the recent sell-down in global equity markets, PAH was similarly dragged down despite the still strong fundamentals. There are several positive developments and these include better catch quota for 2008, higher efficiency from its recently expanded Peru operation, still strong demand and high fish prices. According to management, the catch quota for Russian fishing has gone up from 262,000 tonnes to 282,000 tonnes, an increase of 8%. Together with the still high fish prices, of about US\$1,400 per ton now, these are just two of the key factors that will support its North Pacific earnings. On the South Pacific side, its expanded Peruvian operation will also benefit from the re-deployment of 3 vessels to the south, which will be further expanded to 6 vessels by 2009. As it consolidates its Peru operation, we believe this operation can see better efficiency.

Share price at compelling level. As the 9-mth result is very much in line with our estimate, we are making only minor changes to our numbers, reducing FY08 earnings by 3.5% to HK\$513m, largely adjustments for forex as SGD has strengthened about 8% YoY against HKD. With strong earnings growth of more than 30% for FY08 and FY09 and pegged at an undemanding valuation of 10x earnings, our fair value is 82.5 cents (previous: 87 cents). PAH's earnings are fairly defensive due to still strong consumer demand for fish and it remains a **BUY**.

Carmen Lee

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Year to 31 Mar	Turnover (HK\$m)	EBIT (HK\$m)	Net Profit (HK\$m)	EPS (HK cents)	EPS Growth (%)	PER (x)	Net Div Yield (%)
FY 06	3,554.7	447.0	257.4	19.4	-28.6	14.0	3.7
FY 07	5,292.6	809.6	385.4	29.1	49.7	9.4	4.8
FY 08F	7,212.7	1,320.0	512.8	38.3	31.6	7.1	5.1
FY 09F	8,452.0	1,717.3	703.3	52.5	37.2	5.2	5.7

Please refer to the important disclosures at the back of this document.

Pacific Andes' Key Financial Data

Pacific Andes Results Year Ended 31 Mar (HK m)	3QFY07 (HK m)	3QFY08 (HK m)	% Chg (YoY)	% Chg (QoQ)	9MFY07 (HK m)	9MFY08 (HK m)	% Chg (YoY)
Turnover	732.1	1,113.0	52.0%	-29.9%	2,984.2	4,838.2	62.1%
Cost of sales	-597.9	-839.2	40.3%	-32.9%	-2,473.4	-3,834.5	55.0%
Gross profits/loss	134.2	273.9	104.1%	-18.7%	510.8	1,003.7	96.5%
Other operating income	29.5	16.2	-45.0%	277.5%	32.4	23.7	-26.7%
Distribution exp	-4.2	-4.6	10.1%	-85.7%	-18.1	-84.9	368.2%
Admin exp	-50.4	-74.4	47.6%	161.8%	-88.3	-145.8	65.0%
Profits from operation	109.1	211.1	93.5%	-24.7%	436.7	796.7	82.4%
Finance costs	-57.7	-111.3	93.1%	9.7%	-119.4	-294.0	146.2%
Associates	0.3	-0.2	-182.9%	-15.0%	1.1	0.1	nm
	51.7	99.5	92.3%	-44.3%	318.4	502.8	57.9%
Pre-tax profit	51.7	99.5	92.3%	-44.3%	318.4	502.8	57.9%
Net profit	31.1	78.8	153.4%	-7.4%	161.6	260.8	61.3%
EPS (HK cts)	3.0	5.8	92.7%	-8.1%	15.8	23.8	51.2%

Year Ended 31 Dec	FY06A	FY07A	YoY
Revenue	156.0	406.4	160.4%
Cost of sales	-3.9	-32.7	732.8%
Charter hire	-31.3	-77.9	148.6%
Vessel op costs	-61.2	-154.5	152.4%
Gross Profit	59.6	141.3	137.1%
Other op income	2.6	3.2	23.0%
Selling expenses	-1.4	-11.8	738.6%
Admin expenses	-6.9	-15.6	124.8%
Total operating exp	-5.8	-24.2	320.5%
Finance costs	-5.4	-26.8	394.0%
Operating profit	48.4	90.3	86.5%
Pretax Profit	48.4	90.3	86.5%
Tax	-0.4	-1.8	305.6%
Net profit	48.0	88.5	84.5%
<i>Gross margins (%)</i>	38.2%	34.8%	
<i>Pretax margins (%)</i>	31.0%	22.2%	
<i>Net margins (%)</i>	30.7%	21.8%	

EARNINGS FORECAST

Year Ended 31 Mar (HK m)

	FY06	FY07	FY08F	FY09F
Revenue	3,554.7	5,292.6	7,212.7	8,452.0
- Sales of seafood	2,921.1	3,496.7	4,170.0	4,420.2
- Fishing	620.2	1,789.0	3,032.7	4,019.8
- Others	13.5	6.9	10.0	12.0
Cost of sales	-2,979.6	-4,327.6	-5,628.6	-6,417.8
Gross Profits	575.2	965.0	1,584.1	2,034.2
Other operating income	4.7	26.7	28.0	32.7
Distribution expenses	-42.4	-34.8	-120.1	-138.3
Admin expenses	-79.0	-147.3	-172.0	-211.3
Others	-11.5	0.0	0.0	0.0
Operating profits	447.0	809.6	1,320.0	1,717.3
Finance costs	-102.8	-222.4	-310.2	-298.2
Pre-tax profits	563.9	973.1	1,009.9	1,419.0
Net profits	257.4	385.4	512.8	703.3
EPS (HK cents)	19.4	29.1	38.3	52.5
DPS (S cents)	1.8	2.4	2.5	2.8
DPS (HK cents)	10.0	13.1	13.8	15.4
NTA (HK\$)	2.79	3.24	3.49	3.86
KEY RATIOS				
Revenue growth (%)	22.9%	48.9%	36.3%	17.2%
Pre-tax growth (%)	212.7%	72.6%	3.8%	40.5%
Net profit growth (%)	66.4%	49.7%	33.0%	37.2%
Gross profit margin (%)	16.2%	18.2%	22.0%	24.1%
Operating profit margin (%)	12.6%	15.3%	18.3%	20.3%
Pre-tax profit margin (%)	15.9%	18.4%	14.0%	16.8%
Net profit margin (%)	7.2%	7.3%	7.1%	8.3%

BALANCE SHEET**As at 31 Mar (HK m)**

	FY06	FY07	FY08F	FY09F
Share capital	576.6	576.6	1,287.0	1,287.0
Reserves	709.8	989.8	2,564.2	3,061.1
Shareholders' Funds	1,286.4	1,566.4	3,851.1	4,348.1
Minority	559.2	1,231.3	1,540.5	1,739.2
Total Equity	1,845.6	2,797.7	5,391.6	6,087.3
Fixed assets	850.4	3,476.2	6,437.2	6,415.6
Current assets	2,921.5	3,704.3	4,619.9	5,614.8
Current liabilities	1,788.1	1,960.4	2,300.3	2,500.6
Long-term liabilities	138.2	2,422.3	3,365.2	3,442.4
Assets less Liabilities	1,845.6	2,797.7	5,391.6	6,087.3

CASH FLOW**Year Ended 31 Mar (HK m)**

	FY06	FY07	FY08F	FY09F
Pretax profits	563.9	973.1	1,009.9	1,419.0
Non-cash items	-43.7	20.9	532.6	532.5
Others	0.0	0.0	0.0	0.0
Changes in working capital	-961.7	-421.5	-560.4	-637.3
Operating cash flow	-441.5	572.5	982.1	1,314.2
Net cash from operating activities	-545.3	386.8	582.0	858.4
Net cash used in investing activities	-395.5	-2,462.9	-2,865.3	-440.2
Cash flow from financing activities	983.3	2,102.2	2,462.3	-151.3
Change in cash/(debt)	42.4	26.1	179.1	266.9
End cash/(debt)	159.1	181.7	361.8	628.7

Source: Company data, OIR estimates

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