

COMPANY UPDATE

China Sun sine Chemical (CSSC SP)

Expect Volumes And Overseas Sales To Drive Growth; Raise Target Price By 9%

Sunsine’s sales volumes are expected to maintain an upward trend, driven by China’s stimulus measures and rising tyre exports. While average ASPs may decline on lower raw material prices, we anticipate stable gross margins thanks to its market leadership and added MBT production. Also, the recent 20% dividend increase for 2024 is a strong signal of confidence. As Sun sine has an attractive 6% yield and is trading at only 1.4x ex-cash 2025F PE, we maintain BUY with a 9% higher target price of S\$0.63.

WHAT’S NEW

- **Expect volumes to maintain an upward trajectory.** In 2024, China Sun sine Chemical (Sunsine) achieved a record sales volume of 214,094 tonnes (+3% yoy), driven by an 11% yoy increase in international sales volume on robust demand from Southeast Asia-based tyre manufacturers. However, domestic sales volume saw a slight 1% yoy decline. Looking ahead, we expect domestic sales to improve, supported by China’s targeted stimulus measures to aid consumption recovery. Note that China’s automobile sales grew 5% yoy to 31.4m units, demonstrating strong domestic demand.
- **Chinese tyre makers continue to offshore production for better access to natural rubber, cost savings, and trade advantages.** As the world’s largest tyre producer accounting for >40% of global output, China’s rubber tyre exports grew 3.3% yoy to 1.38m tonnes in Jan-Feb 25 according to China’s tire industry data service provider Tireworld, suggesting continued growth in international sales volume for Sun sine. In addition, increased adoption of electric vehicles could boost new vehicle sales.
- **Stable gross margins despite ASP and raw material price decline.** Per Sublime China Information (SCI), average rubber accelerator ASPs in Jan-Mar 25 were slightly lower than in 4Q24, while average aniline prices dropped by around 6%. We expect gross margin to remain stable yoy at around 25% in 1H25, supported by cost savings from the ramp-up of new Mercaptobenzothiazole (MBT) production in 4Q24, which may partially offset the intensified market competition. Notable, Phase 1 (20,000 tonnes) of its 60,000-tonne MBT project began commercial production in 4Q24, while Phase 2 (40,000 tonnes) has yet to be announced.
- **2024 review.** Sun sine reported 2024 earnings of Rmb424m (+14% yoy), beating our/consensus forecast by 12%/14% respectively. The beat was due to lower-than-expected R&D expenses, which fell 28% yoy or Rmb33m due to the completion of R&D activities, and foreign currency gains of Rmb28m (vs Rmb17m in 2023). Revenue of Rmb3.5b (+1% yoy) matched our forecast, driven by record-high sales volume (+3% yoy), offset by a 2% yoy decline in ASPs. Gross margin expanded to 24.2% (+1.3ppt yoy).

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2023	2024	2025F	2026F	2027F
Net turnover	3,490	3,516	3,660	3,813	3,937
EBITDA	604	718	775	807	837
Operating profit	453	585	606	629	649
Net profit (rep./act.)	372	424	439	455	470
Net profit (adj.)	372	424	439	455	470
EPS (Fen)	38.8	44.5	46.1	47.8	49.3
PE (x)	7.3	6.3	6.1	5.9	5.7
P/B (x)	0.7	0.6	0.6	0.6	0.5
EV/EBITDA (x)	0.6	0.5	0.4	0.4	0.4
Dividend yield (%)	4.5	5.5	5.7	6.0	6.3
Net margin (%)	10.7	12.1	12.0	11.9	11.9
Net debt/(cash) to equity (%)	(43.0)	(49.3)	(52.1)	(54.9)	(57.8)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	9.8	10.4	10.1	9.8	9.5
Consensus net profit	-	-	400	424	-
UOBKH/Consensus (x)	-	-	1.10	1.07	-

Source: China Sun sine Chemical, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.52
Target Price	S\$0.63
Upside	+21.2%
(Previous TP)	S\$0.58)

COMPANY DESCRIPTION

Sunsine produces rubber chemicals, primarily rubber accelerators and other related rubber chemicals such as anti-scorching agents.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	CSSC SP
Shares issued (m):	953.4
Market cap (S\$ m):	495.8
Market cap (US\$m):	370.3
3-mth avg daily t'over (US\$m):	0.1

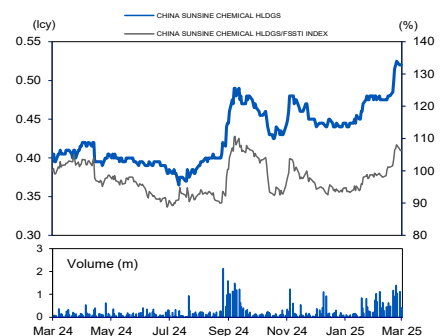
Price Performance (%)

52-week high/low	S\$ 0.530/S\$ 0.365			
1mth	3mth	6mth	1yr	YTD
8.3	15.6	23.8	30.0	16.9

Major Shareholders

Xu Cheng Qiu	61.4
-	-
FY25 NAV/Share (Rmb)	4.72
FY25 Net Cash/Share (Rmb)	2.46

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Attractive dividend yield of around 6% backed by strong balance sheet.** Sunsine provided an attractive yield of around 6%, supported by its strong cash position of Rmb2,074m (+23% yoy) as of end-24. This translates to Rmb2.18/share (S\$0.40/share) or around 77% of its market cap. This provides ample room for Sunsine to potentially raise its dividend and continue to perform share buybacks.
- **Maintaining market leadership.** Management highlighted that Sunsine maintained its position as the world's largest accelerator producer, with a stable market share of 23% in 2024. In China, it also upheld its leadership with 35% market share. With the largest rubber accelerator capacity of 117,000 tonnes, Sunsine is well-positioned to expand its customer base of over 1,000 clients across >40 countries, including more than 75% of the top 75 global tyre makers such as Bridgestone, Goodyear and Michelin.
- **Projects in the pipeline to boost production and cost savings.** Phase 2 (30,000 tonnes) of a 60,000-tonne capacity insoluble sulphur project is set to begin trial runs in 1H25, adding to its production to meet the rising market demand. Additionally, Phase 2 (40,000 tonnes) of the 60,000-tonne MBT project is in the pipeline. As MBT is a key intermediary product to produce about 80% of all types of rubber accelerators, this will enhance cost savings and reduce reliance on external suppliers.

EARNINGS REVISION/RISK

- **We have raised our 2025/26 earnings estimates by 9%/6% respectively**, after factoring in better-than-expected gross margins from its MBT capacity expansion, which improves self-sufficiency as MBT is the main feedstock for most types of rubber accelerators. Net margins are also raised 1-2ppt on lower R&D expenses.

VALUATION/RECOMMENDATION

- **Maintain BUY with a 9% higher target price of S\$0.63 (S\$0.58 previously)**, as a result of our raised earnings forecasts. This is pegged to an unchanged PE multiple of 7.5x 2025F earnings, or 1SD above the mean PE. The stock trades at an attractive valuation of 1.4x ex-cash 2025F PE.

SHARE PRICE CATALYST

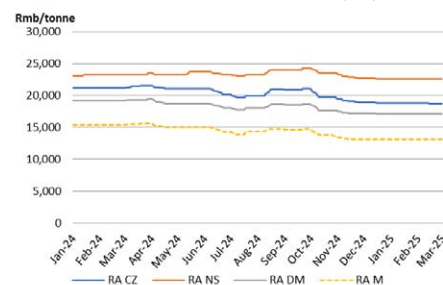
- New manufacturing capacities commencing production.
- Higher ASPs for rubber chemicals.
- Higher-than-expected utilisation rates.

PEER COMPARISON

Company	Ticker	Trading Curr (lcy)	Price @ 25-Mar-25 (lcy)	Market Cap (US\$m)	PE		P/B		EV/EBITDA		ROE 2025 (%)	Yield 2025 (%)	Net Gearing (%)
					2025 (x)	2026 (x)	2025 (x)	2026 (x)	2025 (x)	2026 (x)			
China Sunsine	CSSC SP	S\$	0.52	370	6.7	6.2	0.6	0.6	0.9	0.8	9.2	5.8	(49.3)
Shandong Yanggu Huatai	300121 CH	CNY	12.56	776	12.8	9.7	1.5	1.4	n.a.	n.a.	12.0	n.a.	1.3
Lanxess AG	LXS GR	EUR	30.16	2,810	33.3	16.6	0.6	0.6	7.7	6.8	0.1	1.0	52.0
Eastman Chemical	EMN US	USD	90.09	10,402	10.6	9.6	1.7	1.5	7.9	7.4	16.1	3.7	73.9
Arkema SA	AKE FP	EUR	75.95	6,234	8.7	7.7	0.7	0.7	5.4	5.0	7.8	5.0	32.7
Average					16.3	10.9	1.1	1.0	7.0	6.4	9.0	3.2	40.0

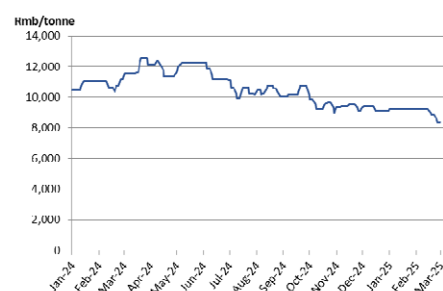
Source: Bloomberg, UOB Kay Hian

ASP FOR RUBBER ACCELERATORS (RA)



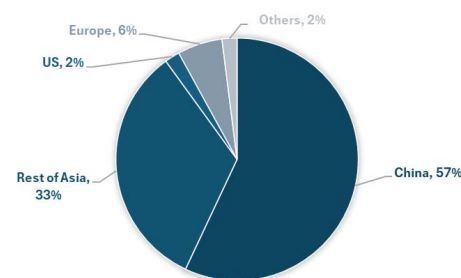
Source: Sci.99.com, UOB Kay Hian

ASP FOR ANILINE



Source: Sci.99.com, UOB Kay Hian

REVENUE BY REGION



Source: Sunsine, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2024	2025F	2026F	2027F
Net turnover	3,515.5	3,660.1	3,813.5	3,937.2
EBITDA	718.0	774.7	807.2	837.3
Deprec. & amort.	132.9	168.5	178.7	188.8
EBIT	585.1	606.2	628.5	648.6
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	0.0	0.0	0.0	0.0
Pre-tax profit	0.0	0.0	0.0	0.0
Tax	585.1	606.2	628.5	648.6
Minorities	(161.2)	(167.0)	(173.2)	(178.7)
Net profit	0.0	0.0	0.0	0.0
Net profit (adj.)	423.9	439.2	455.4	469.9

CASH FLOW

Year to 31 Dec (Rmbm)	2024	2025F	2026F	2027F
Operating	573.3	484.4	580.5	615.0
Pre-tax profit	585.1	606.2	628.5	648.6
Tax	(102.2)	(161.5)	(167.3)	(173.4)
Deprec. & amort.	128.7	164.2	174.1	184.1
Working capital changes	58.6	(124.5)	(54.8)	(44.2)
Non-cash items	(96.9)	0.0	0.0	0.0
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(55.3)	(65.4)	(136.0)	(135.9)
Capex (growth)	(110.0)	(140.6)	(140.6)	(140.6)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	54.7	75.2	4.6	4.7
Financing	(137.4)	(148.2)	(155.7)	(163.4)
Dividend payments	(126.4)	(148.2)	(155.7)	(163.4)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(11.0)	0.0	0.0	0.0
Net cash inflow (outflow)	380.6	270.8	288.8	315.6
Beginning cash & cash equivalent	1,687.9	2,073.9	2,344.7	2,633.5
Changes due to forex impact	5.4	0.0	0.0	0.0
Ending cash & cash equivalent	2,073.9	2,344.7	2,633.5	2,949.1

BALANCE SHEET

Year to 31 Dec (Rmbm)	2024	2025F	2026F	2027F
Fixed assets	835.0	811.4	777.9	734.5
Other LT assets	270.0	194.8	190.3	185.6
Cash/ST investment	2,073.9	2,344.7	2,633.5	2,949.1
Other current assets	1,500.1	1,651.5	1,720.7	1,776.5
Total assets	4,679.0	5,002.4	5,322.4	5,645.7
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	470.3	502.8	523.0	539.9
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	0.0	0.0	0.0	0.0
Shareholders' equity	4,208.7	4,499.6	4,799.3	5,105.8
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	4,679.0	5,002.4	5,322.4	5,645.7

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	20.4	21.2	21.2	21.3
Pre-tax margin	16.6	16.6	16.5	16.5
Net margin	12.1	12.0	11.9	11.9
ROA	9.4	9.1	8.8	8.6
ROE	10.4	10.1	9.8	9.5
Growth				
Turnover	0.7	4.1	4.2	3.2
EBITDA	18.9	7.9	4.2	3.7
Pre-tax profit	29.1	3.6	3.7	3.2
Net profit	13.8	3.6	3.7	3.2
Net profit (adj.)	13.8	3.6	3.7	3.2
EPS	14.5	3.6	3.7	3.2
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(49.3)	(52.1)	(54.9)	(57.8)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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