

A leap: has grown from the Chinese largest waterproofing system provider into the giant in functional building materials

Chinese building waterproofing market has a vast room due to the importance and wide application of waterproof materials in construction. The market size is estimated to reach ¥200 billion. In the past, the entry barrier of waterproofing industry was low, and the invisibility of waterproofing products makes it hard for customers to distinguish high quality products, also the cost of non-standard products was relatively low, resulting in the highly decentralized market with many small and medium-sized enterprises. In recent years, with consumption upgrading, the downstream consumers and real estate enterprises is paying more attention to the quality instead of cost and price of waterproof materials. Meanwhile, the stricter regulations make the industry more standardized. All these improvements highlight the advantages of leading enterprises and will further enhance the profession concentration degree in waterproofing industry. Yuhong is well ahead of competitors due to its comprehensive system of products (services), brand and marketing channel. The cornerstones of its success are the excellent entrepreneurs with efficient management, forward-looking strategies with successful capital operation, the partnership culture and partnership organization, attracting many talents and improving operation efficiency.

In benchmarking of Sika group, which is a giant (revenue: ¥40 billion; company's market value: ¥130 billion) in international building materials and chemicals market, Sika group's growth is based on the diversification of products, global expansion and successive M&A. Compared with Sika group, Yuhong has the similar development strategies in products, domestic expansion (expand cross region, which is different with Sika in Switzerland ) and M&A. Yuhong is targeting at multi-category collaborative development, and is developing 2C business as well as 2B business, which will bring Yuhong new growth in mid-term and long-term. In the next 2-3 years, the increased concentration of real estate will accelerate Yuhong's growth in waterproofing system market. Launching new products and new production capacity will promote the sales of non-waterproofing products.

Yuhong has the leading edge in products (services), brand and marketing channel, supported by the excellent management and partnership culture.

	2016A	2017A	2018E	2019E	2020E
<b>Revenue RMB</b>					
	7,000.23	10,292.97	14,591.16	19,668.04	25,573.89
<b>million</b>					
<b>YoY(%)</b>	31.98%	47.04%	41.76%	34.79%	30.03%
<b>EBITDA RMB</b>					
	1,386.90	1,743.23	2,387.66	3,163.03	4,248.63
<b>million</b>					
<b>Net profit (RMB million)</b>	1,028.71	1,238.84	1,693.07	2,373.48	3,239.31
<b>YoY(%)</b>	40.97%	20.43%	36.67%	40.19%	36.48%
<b>EPS RMB per share</b>	1.165	1.405		2.691	3.673
<b>P/E x</b>	18.61	31.24	19.22	13.71	10.05
<b>P/B</b>					