

China Sunshine Chemical (CSSC SP)

3Q25: Earnings In Line; Dividend Policy Sparks Re-Rating

Highlights

- Sunsine's 3Q25 earnings of Rmb88m are in line with our expectations, with resilient sales volumes (+0.4% yoy) despite softer ASPs.
- Management has adopted a new 40% minimum dividend payout policy, signalling strong confidence in its future prospects.
- Valuation remains attractive at 5x ex-cash 2026F PE. Maintain BUY with a 27% higher target price of S\$0.95 (S\$0.75 previously).

3Q25/9M25 Results

Year to 31 Dec (Rmbm)	3Q25	qoq%	yoy%	9M25	yoy%
Revenue	762.8	-10.4	-13.7	2,435.0	-6.8
Net profit	87.5	-35.0	-5.8	330.2	+17.2
Net profit margin (%)	11.5%	(4.3ppt)	+1.0ppt	13.5	+2.8ppt
Sales volume (tonnes)	54,304	-4.1	+0.4	163,999	+2.8
Average selling price (Rmb/tonne)	13,861	-7.8	-14.2	14,958*	-9.4*

*Calculated based on reported revenue and volume figures

Source: Sunshine

Analysis

- Earnings in line.** China Sunshine Chemical's (Sunsine) 9M25 revenue of Rmb2,435m (-7% yoy) and earnings of Rmb330m (+17% yoy) are in line with our expectations, forming 70% and 76% of our full-year forecasts respectively. The revenue decline reflects softer ASPs amid heightened industry competition. Sales volumes remained resilient at 163,999 tonnes (+3% yoy), underscoring stable demand despite pricing pressure.
- New dividend policy signals confidence.** Management introduced a formal dividend policy committing to a minimum 40% payout of core net profit for 2025-26, paid semi-annually. This exceeds the group's historical high payout of 36% in 2024, signalling management's strengthened confidence in earnings visibility. This is supported by its strong net cash position of Rmb2,234m (approximately S\$410m or S\$0.43/share) as at 30 Jun 25.
- Firm demand backdrop.** End-markets remain supportive, with China's auto sales rising 13% yoy and new energy vehicle sales surging 35% yoy in 9M25. Tyre production also grew modestly (+2% yoy). As Sunshine supplies over 75% of the world's top 75 tyre makers, this provides a solid foundation for firm demand across accelerators, insoluble sulphur and anti-oxidants.

Key Financials

Year to 31 Dec (Rmbm)	2023	2024	2025F	2026F	2027F
Net turnover	3,490	3,516	3,261	3,367	3,560
EBITDA	604	718	737	764	808
Operating profit	453	585	569	586	620
Net profit (rep./act.)	372	424	436	449	475
Net profit (adj.)	372	424	436	449	475
EPS (fen)	38.8	44.5	45.7	47.1	49.8
PE	11.2	9.7	9.5	9.2	8.7
P/B	1.1	1.0	0.9	0.9	0.8
EV/EBITDA	2.8	2.4	2.3	2.2	2.1
Dividend yield	3.0	3.6	4.5	4.0	4.2
Net margin	10.7	12.1	13.4	13.3	13.3
Net debt/(cash) to equity	(43.0)	(49.3)	(54.2)	(57.1)	(59.5)
Interest cover	n.a.	n.a.	n.a.	n.a.	n.a.
ROE	9.8	10.4	10.0	9.7	9.7
Consensus net profit	-	-	436	456	467
UOBKH/Consensus (x)	-	-	1.00	0.98	1.02

Source: Sunshine, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	S\$0.795
Target Price	S\$0.950
Upside	+19.5%
Previous TP	S\$0.75

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Stock Data

GICS Sector	Materials
Bloomberg ticker	CSSC SP
Shares issued (m)	953.4
Market cap (S\$m)	757.9
Market cap (US\$m)	580.0
3-mth avg daily t'over (US\$m)	1.1

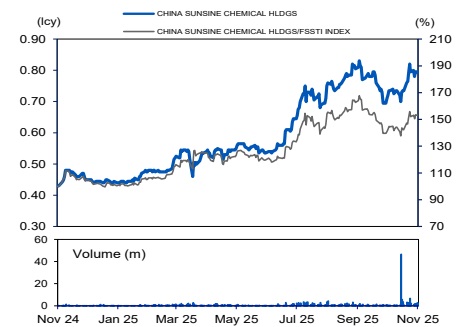
Price Performance (%)

52-week high/low		S\$0.845/S\$0.43		
1mth	3mth	6mth	1yr	YTD
14.4	12.0	45.9	84.9	78.7

Major Shareholders

	%
Xu Cheng Oiu	57.2
FY25 NAV/Share (Rmb)	4.69
FY25 Net Cash/ Share (Rmb)	2.54

Price Chart



Source: Bloomberg

Company Description

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

- **Capacity expansion on track.** Sunsine's expansion programme remains on schedule, with key projects set to commence trial runs between end-25 and early-26. Upon completion, total annual capacity will rise to 272,000 tonnes in 2026, supporting volume growth and enhancing operational efficiency.
- **Pricing pressure persisted, but potential stabilisation ahead.** The 14% yoy ASP decline mirrored industry-wide softness, driven by lower raw material prices and aggressive pricing among domestic producers. Management continues to adopt a flexible pricing strategy to defend volumes and maintain sales-production equilibrium. With tyre plant utilisation improving and raw material volatility easing, ASPs are nearing a cyclical floor, supporting a more stable margin outlook for 2026-27, in our view.

Historical PE Chart



Source: Bloomberg, UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a 27% higher target price of S\$0.95** (S\$0.75 previously), after ascribing a higher valuation multiple of 11x 2026F earnings (+2SD to mean PE), up from 9x previously. This is +2SD above the historical mean PE, reflecting Sunsine's strong balance sheet, improved dividend under the new 40% payout policy, and benefits from the upcoming capacity expansion.
- In our view, these warrant a re-rating toward the upper end of its historical trading range. At the current price, the stock trades at an attractive 5x 2026F ex-cash PE while offering a decent 4% 2026 yield.

Earnings Revision/Risk

- We trim our 2025 revenue forecast by 7%, due to a more subdued ASP environment than expected. The continued pricing pressure in the Chinese rubber chemicals market points to a slower recovery trajectory for selling prices. We assume a more conservative ASP rebound in 2026-27, while keeping our long-term volume outlook intact.

Share Price Catalyst

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

Peer Comparison

Company	Ticker	Price @ 21 Nov 25 (1cy)	Market Cap (US\$m)	PE		PB		EV/EBITDA 2025 (x)	ROE 2025 (%)	Yield 2025 (%)
				2025 (x)	2026F (x)	2025 (x)	2026F (x)			
China Sunsine Chemical Hldgs	CSSC SP	0.795	580	9.5	9.2	0.9	0.9	2.3	10.0	4.5
Peers										
Shandong Yanggu Huatai Che-A	300121 CH	15.40	963	34.2	25.2	1.9	1.8	n.a.	5.8	n.a.
Lanxess Ag	LXS GR	16.37	1,628	n.a.	93.5	0.3	0.3	6.5	(3.9)	0.8
Eastman Chemical Co	EMN US	57.44	6,552	10.4	9.1	1.1	1.1	7.6	10.0	5.8
Arkema	AKE FP	50.25	4,403	10.5	9.0	0.5	0.5	5.0	4.5	7.2
Average				18.4	34.2	1.0	0.9	6.3	4.1	4.6

Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2024	2025F	2026F	2027F
Net turnover	3,515.5	3,261.3	3,367.0	3,559.8
EBITDA	718.0	737.1	764.3	808.1
Deprec. & amort.	132.9	168.1	178.1	188.3
EBIT	585.1	569.0	586.2	619.8
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	585.1	569.0	586.2	619.8
Tax	(161.2)	(133.1)	(137.2)	(145.0)
Minorities	0.0	0.0	0.0	0.0
Net profit	423.9	435.9	449.0	474.7
Net profit (adj.)	423.9	435.9	449.0	474.7

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	195.3	191.3	187.0
Cash/ST investment	2,073.9	2,422.5	2,719.4	3,017.0
Other current assets	1,500.1	1,471.6	1,519.2	1,606.2
Total assets	4,679.0	4,900.8	5,207.9	5,544.8
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	470.3	433.1	446.8	472.4
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	4,467.7	4,761.1	5,072.4
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	4,679.0	4,900.8	5,207.9	5,544.8

Cash Flow

Year to 31 Dec (Rmbm)	2024	2025F	2026F	2027F
Operating	573.3	591.3	589.2	597.4
Pre-tax profit	585.1	569.0	586.2	619.8
Tax	(102.2)	(159.9)	(133.3)	(137.5)
Deprec. & amort.	128.7	164.2	174.1	184.1
Working capital changes	58.6	18.1	(37.8)	(68.9)
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)	(65.9)	(136.6)	(136.3)
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	74.7	4.0	4.3
Financing	(137.4)	(176.8)	(155.7)	(163.4)
Dividend payments	(126.4)	(176.8)	(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	348.6	297.0	297.6
Beginning cash & cash equivalent	1,687.9	2,073.9	2,422.5	2,719.4
Changes due to forex impact	5.4	0.0	0.0	0.0
Ending cash & cash equivalent	2,073.9	2,422.5	2,719.4	3,017.0

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	20.4	22.6	22.7	22.7
Pre-tax margin	16.6	17.4	17.4	17.4
Net margin	12.1	13.4	13.3	13.3
ROA	9.4	9.1	8.9	8.8
ROE	10.4	10.0	9.7	9.7
Growth				
Turnover	0.7	(7.2)	3.2	5.7
EBITDA	18.9	2.7	3.7	5.7
Pre-tax profit	29.1	(2.8)	3.0	5.7
Net profit	13.8	2.8	3.0	5.7
Net profit (adj.)	13.8	2.8	3.0	5.7
EPS	14.5	2.8	3.0	5.7
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)	(54.2)	(57.1)	(59.5)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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