China Sunsine Chemical (CSSC SP)

2025: Earnings Below Expectations; Expects Support From 4% Yield

Highlights

- Sunsine's 2025 earnings of Rmb405m (-4% yoy) missed our expectations by 7% on weaker margins and forex losses.
- This was partially offset by record-high volumes (+4% yoy), driven by stronger international growth (+5% yoy), reinforcing Sunsine's market leadership.
- Downgrade to HOLD with a 26% lower target price of S$0.70.

2H25/2025 Results

Year to 31 Dec (Rmbm)	2H25	hoh%	yoy%	2025	yoy%
Revenue	1,587.2	-6	-10	3,277.4	-7
Gross profit	354.5	-15	-15	770.3	-9
Gross profit margin (%)	22.3	(2.3ppt)	(1.3ppt)	23.5	(0.7ppt)
Net profit	162.2	-33	-31	404.9	-4
Net profit margin (%)	10.2	(4.2ppt)	(3.1ppt)	12.4	+0.3ppt
Sales volume (tonnes)	112,548	+2.6	+4	222,243	+4
Average selling price* (Rmb/tonne)	13,911	-9.7	-13	14,545	-10

**Calculated based on reported revenue and volume figures*
Source: Sunsine.

Analysis

- **Results below expectations.** China Sunsine Chemical's (Sunsine) 2025 earnings of Rmb405m (-4% yoy) formed 93% of our forecast, mainly due to lower-than-expected gross margin. Revenue of Rmb3.28b (-7% yoy) was in line with our forecast, supported by record-high sales volume. Gross margin eased to 23.5% (-0.7ppt yoy), reflecting continued ASP pressure.
- **2H25 saw sharper decline from forex losses.** 2H25 earnings fell 33% hoh, partly due to Rmb8.8m fair value loss on receivables owed by Shanxian County Government and Rmb20.8m forex loss from USD/Rmb movements. This was partially offset by a sharp reduction in R&D expenses (-94% yoy) and reversal of prior year tax over-provisions.
- **Strong net cash supports 40% dividend payout.** Sunsine remains debt-free with Rmb2.33b in cash (S$0.45/share or 64% of market cap) and NAV of Rmb465.5 cents/share (S$0.85). A higher total dividend of S$0.032/share was proposed (2024: S$0.030), implying a 41% payout, consistent with its 40% payout commitment for 2025-26.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	3,516	3,277	3,364	3,549	3,751
EBITDA	718	650	690	724	765
Operating profit	585	504	529	548	574
Net profit (rep./act.)	424	405	404	419	438
Net profit (adj.)	424	405	404	419	438
EPS (fen)	44.5	42.5	42.4	43.9	46.0
PE	8.6	9.0	9.0	8.7	8.3
P/B	0.9	0.8	0.8	0.7	0.7
EV/EBITDA	1.5	1.6	1.5	1.5	1.4
Dividend yield	4.1	4.3	3.8	4.0	4.2
Net margin	12.1	12.4	12.0	11.8	11.7
Net debt/(cash) to equity	(49.3)	(52.5)	(54.6)	(54.7)	(55.0)
Interest cover	n.a.	n.a.	n.a.	n.a.	n.a.
ROE	10.4	9.4	8.8	8.6	8.5
Consensus net profit	-	-	449	475	
UOBKH/Consensus (x)	-	-	0.90	0.88	-

Source: Sunsine, Bloomberg, UOB Kay Hian

HOLD (Downgraded)	
Share Price	S$0.705
Target Price	S$0.700
Upside	-0.7%
Previous TP	S$0.95

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Stock Data

GICS Sector	Materials
Bloomberg ticker	CSSC SP
Shares issued (m)	953.4
Market cap (S$m)	672.1
Market cap (US$m)	528.8
3-mth avg daily t'over (US$m)	0.6

Price Performance (%)

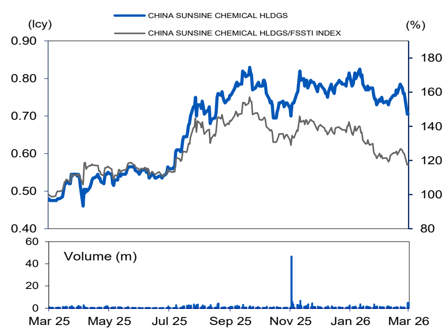
52-week high/low: S$0.845/S$0.46

1mth	3mth	6mth	1yr	YTD
(3.4)	(10.2)	(4.1)	48.4	(11.9)

Major Shareholders	%
Xu Cheng Qiu	57.2

Balance Sheet Metrics	%
FY26 NAV/Share (Rmb)	4.94
FY26 Net Cash/ Share (Rmb)	2.70

Price Chart



Source: Bloomberg

Company Description

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

- **ASPs continue to see pressure.** 2025 ASP declined 10% yoy to Rmb14,545/tonne, with 2H25 ASP falling 10% hoh and 13% yoy to Rmb13,911/tonne. This was driven by lower raw material prices, mainly aniline, and intensified domestic competition, particularly in anti-oxidants. We note that in Jan 26, aniline prices rose, suggesting potential margin improvement on a hoh basis.
- **Record-high volumes reinforce market leadership.** 2025 sales volume jumped 4% yoy to a record-high 222,243 tonnes, driven by growth across insoluble sulphur (+14% yoy) and accelerator volumes (+1% yoy) while anti-oxidant volumes remained stable. International sales volume grew 5% yoy, outpacing domestic growth (+3% yoy) due to rising orders from Chinese tyre manufacturers expanding production capacity in Southeast Asia.
- **Integration to deliver tangible cost savings.** Phase 1 MBT production is expected to deliver cost savings of approximately Rmb2,000/tonne, strengthening vertical integration and improving cost competitiveness. Expansion initiatives remain on schedule, with MBT and CBS projects targeted for trial runs by 1H26. Total annual capacity is expected to rise to 272,000 tonnes by end-26 (+7% yoy).

Valuation/Recommendation

- **Downgrade to HOLD with a 26% lower target price of S$0.70** (from S$0.95), following our earnings revision and a lower valuation peg. Our revised target price is based on 9x 2026F PE (+1SD to its historical mean), lowered from 11x (+2SD) previously, reflecting a more measured ASP recovery and near-term margin uncertainty.
- In addition, with international sales accounting for 43% of revenue, earnings remain exposed to USD/Rmb volatility. While Sunsine's strong balance sheet and cost leadership remain intact, we believe the stock is now fairly valued pending clearer signs of a pricing recovery and forex stability.

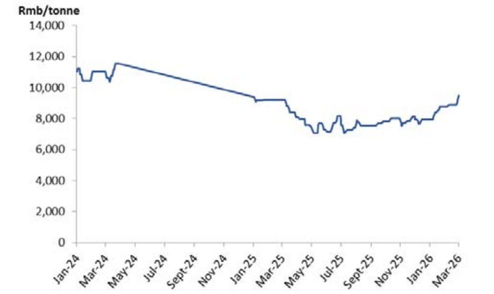
Earnings Revision/Risk

- We lower our 2026-27 earnings forecasts by 10-12%, as we expect a more gradual ASP recovery and higher R&D normalisation. This will be partially offset by continued volume growth and cost savings from internal MBT production. Despite near-term margin pressure, we expect Sunsine's scale advantages and vertical integration to support steady recovery trajectory into 2027-28.

Share Price Catalyst

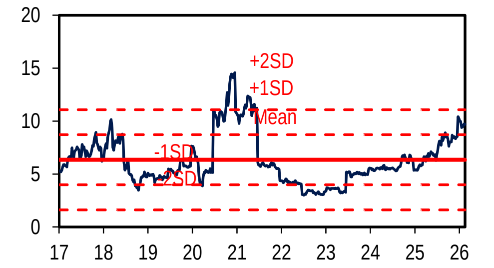
- New manufacturing capacities commencing production.
- Higher ASPs for rubber chemicals.
- Higher-than-expected utilisation rates.

Aniline Price Chart



Source: sci99.com, UOB Kay Hian

Historical PE Band



Source: sci99.com, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	3,277.4	3,364.4	3,548.8	3,751.4
EBITDA	649.5	689.7	724.0	765.3
Deprec. & amort.	145.9	161.0	176.2	191.4
EBIT	503.6	528.7	547.8	573.9
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	503.6	528.7	547.8	573.9
Minorities	(98.7)	(124.8)	(129.3)	(135.4)
Net profit	0.0	0.0	0.0	0.0
Net profit (adj.)	404.9	403.9	418.5	438.4

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	940.8	1,035.7	1,115.6	1,180.5
Other LT assets	256.7	190.1	185.2	180.1
Cash/ST investment	2,328.9	2,571.6	2,729.7	2,902.0
Other current assets	1,355.8	1,391.8	1,468.1	1,551.9
Total assets	4,882.2	5,189.1	5,498.5	5,814.5
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	444.6	481.0	504.9	532.5
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	0.0	0.0	0.0	0.0
Shareholders' equity	4,437.6	4,708.1	4,986.6	5,277.9
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	4,882.2	5,189.1	5,491.5	5,810.4

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	645.0	560.7	537.4	568.4
Pre-tax profit	503.6	528.7	547.8	573.9
Tax	(148.9)	(97.4)	(124.6)	(129.0)
Deprec. & amort.	141.4	156.3	171.3	186.2
Working capital changes	168.8	(26.9)	(57.1)	(62.7)
Non-cash items	(19.9)	0.0	0.0	0.0
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(182.7)	(184.6)	(246.3)	(246.0)
Capex (growth)	(251.2)	(251.2)	(251.2)	(251.2)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	68.5	66.6	4.9	5.2
Financing	(184.8)	(133.4)	(140.1)	(147.1)
Dividend payments	(184.8)	(133.4)	(140.1)	(147.1)
Issue of shares	0.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	277.5	242.7	151.0	175.3
Beginning cash & cash equivalent	2,073.9	2,328.9	2,571.6	2,722.6
Changes due to forex impact	(22.5)	0.0	0.0	0.0
Ending cash & cash equivalent	2,328.9	2,571.6	2,722.6	2,897.9

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	19.8	20.5	20.4	20.4
Pre-tax margin	15.4	15.7	15.4	15.3
Net margin	12.4	12.0	11.8	11.7
ROA	8.5	8.0	7.8	7.8
ROE	9.4	8.8	8.6	8.5
Growth				
Turnover	(6.8)	2.7	5.5	5.7
EBITDA	(9.5)	6.2	5.0	5.7
Pre-tax profit	(13.9)	5.0	3.6	4.8
Net profit	(4.5)	(0.2)	3.6	4.8
Net profit (adj.)	(4.5)	(0.2)	3.6	4.8
EPS	(4.5)	(0.2)	3.6	4.8
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	(52.5)	(54.6)	(54.7)	(55.0)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.