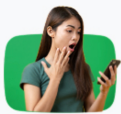


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CHINA SUNSINE: KGI's "Outperform" Call and Bull Case With 70% Upside

Leong Chan Teik 09 July 2026

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China Sunsine was listed on the mainboard of the Singapore Exchange back in July 2007.

Despite a long and impressive track record of expanding sales volume and profitability through volatile raw material cycles, and regularly paying dividends, it is rare to see an analyst report on the stock.

In recent years, analysts at CGS International and UOB Kay Hian began writing -- positively -- on the stock but then petered out.

KGI Securities is stepping into the void, **initiating coverage** on the company.

Analyst Chong Ting Shuo has an "OUTPERFORM" rating and a 12-month target price of **S\$1.145**.

Against a recent trading price of S\$0.675, this implies a 69.6% upside potential.

CHINA SUNSINE	
Share price:	Target:
\$0.675	\$1.145

China Sunsine: The Undervalued Engine of the Global Tyre Industry



A "Mission-Critical" Role in Tyre Production

China Sunsine is the world's No. 1 global rubber accelerator producer, and it also holds significant manufacturing capacity for insoluble sulphur and anti-

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Dan konversi

Ahmad 13:20
Halo, saya mau pesan...

Anisa 11:10
Bismillah ada stok...

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oxidants.

These products might sound like generic, easily substitutable commodities. However, KGI points out that the company is "embedded in a mission-critical tyre input chain".

While these rubber chemicals account for a very small share of a tyre's overall bill of materials, they are crucial for the curing process, directly influencing "cure speed, cross-link density, heat resistance, ozone resistance and durability".

Because these functions are deeply tied to tyre safety and warranty risk, the procurement decision for tyre makers is not merely based on finding the lowest spot price.

The Moat of Scale, Compliance, and Sticky Customers

A strong pillar of KGI's thesis is the company's economic moat, which is built on scale, product breadth, and stringent environmental compliance.

Supplying the global tyre industry requires passing rigorous technical approvals and regular customer audits.

As KGI aptly notes, "For tyre manufacturers, the cost of failure is far higher than the cost saving from switching to an unproven supplier".

Furthermore, Sunsine operates its own centralised heating and waste treatment plants.

In an era where smaller producers frequently face utilisation constraints due to rising environmental costs, Sunsine's infrastructure supports "lower operating disruption, compliance control and production continuity".

Near-Term Catalysts: Supply Shocks and Favourable Inflation

KGI says there are immediate catalysts that support a 'buy' thesis.

A recent factory fire in June 2026 at Yanggu Huatai—a major competitor—has removed significant qualified insoluble sulphur supply from the market.

KGI notes that this "Yanggu outage and sulphur tightness should improve Sunsine's bargaining position," paving the way for a strong FY26 spread recovery.

Interestingly, raw material cost inflation, such as the recent sulphur price spike linked to Middle East supply disruptions, actually tends to act as a tailwind for Sunsine.

There is a positive correlation between Sunsine's net margins and feedstock inflation.

Key risks to bull case



"While the Group has scale, product breadth and an established customer base, earnings can still be compressed when competitors chase volume, raw material prices reset selling prices lower, or tyre makers reduce utilisation during weaker macro conditions."

-- Chong Ting Shuo, analyst

Rock-Bottom Valuation and Financial Strength

Ultimately, KGI's conviction comes down to a mismatch between Sunsine's robust fundamentals and its market valuation.

Valued via a Discounted Cash Flow model using a 12.0% WACC, KGI arrives at an intrinsic fair value of **S\$1.145 per share**.

Currently trading at a mere 8.5x forward P/E and a low 1.4x forward EV/EBITDA, Sunsine is priced at a steep discount to its peer averages of 26.6x and 8.9x, respectively.

KGI also highlights the company's large net cash position, superior balance sheet, and reliable free cash flow generation.

Supported by an attractive FY25 dividend yield of **5.2%** and a capacity expansion plan targeting 272,000 tonnes by FY26, China Sunsine offers a mix of income, value, and growth.





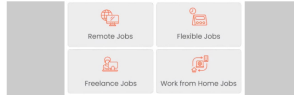
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CHINA SUNSINE: Why 2026 Is Start of Long "Cash Harvest" Season for This Company



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