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CHINA SUNSINE: Analysts Grow More Bullish on This Cash-Rich Company Trading at 1.4x Ex-Cash PE

27 March 2025



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THE CONTEXT

- Rising dividends, which are always welcome by investors, looks to be a trend at Singapore-listed China Sunsine:

YEAR	'19	'20	'21	'22	'23	'24
Dividend (share) (\$G cents)	1	1	2	3	2.5	3

- The FY24 dividend amounts to about S\$29 million, or 36% of its FY24 earnings.

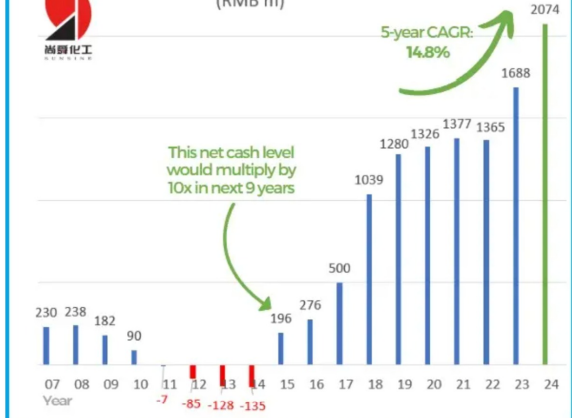
China Sunsine can well afford it because it has a mountain of cash that just grew and grew over the years.

(Since its 2007 IPO, it has paid dividends amounting to RMB 1,090 mln (2007-2025) vs the IPO funds raised of RMB264 mln).

- UOB Kay Hian has just raised again its target price for the stock.

From **46 cents**, the target was raised to **58 cents** in Oct 2024 and to **63 cents** now. (See: [CHINA SUNSINE: This stock trading at 2X ex-cash PE gets some new love from broker](#))

- Check out this chart reflecting how strongly cash-generating China Sunsine has been, even after ambitiously expanding its production capacity over the years:



- China Sunsines operates in a competitive industry that has weeded out a number of players, leaving behind just a few sizeable Chinese peers.

As the world's No.1 producer of rubber chemicals used in tyre manufacturing, China Sunsine has seen its profitability cruise some years, lose altitude in others, or just soar (see chart).



Certainly, compared to 18 years ago when it listed, its profit has soared as the chart above shows.

- China Sunsine's stock has recently risen to **52 cents**.

If you minus the FY25 forecast cash, its PE ratio is only **1.4X** on UOB Kay Hian's FY25 earnings estimate.

- See excerpts of UOB KH's take below ...

Excerpts from UOB Kay Hian report
Analysts: Heidi Mo & John Cheong

China Sunsine Chemical (CSHC 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 Sunsine 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**.



- Expect volumes to maintain an upward trajectory.** In 2024, China Sunsine 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 Sunsine.

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.

Notably, 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.** Sunsine 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).

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.

- 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

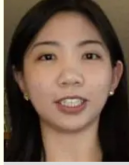
- Maintain BUY with a 9% higher target price of S\$0.63** (S\$0.58 previously), as a result of our raised earnings forecasts.

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 CATALYSTS

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



Heidi Mo, analyst

Full report [here](#).

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