



Thematic



Asian Citrus - Buy

11th April 2011

Price	75p
24 Month Price Target	99p
Risk Rating	High
Forward P/E Ratio	16.3x
Forward Dividend Yield	1.6%

Company:

AIM listed Asian Citrus (“ACHL”) is the largest orange producer in China, with a 3% market share in a highly fragmented market. Asian Citrus owns and operates two orange plantations – “Hepu” (its fully planted original plantation of approximately 1.3m orange trees covering 30.9 sqm) and “Xinfeng” (fully planted with 1.6m winter orange trees covering 37.1 sqm). Asian Citrus also recently purchased 93% of Beihai BPG, China’s largest fruit juicing concentrate company. This wholesale downstream business presents the company with a huge opportunity, as only a tiny percentage of the fruits produced in China are turned into juice.

Analysts View:

Seymour Pierce expects 2011 EPS of 4.6p, putting the shares on a prospective P/E multiple of 16.3x. Not cheap but more than justified by the company’s growth potential. Liberium has just initiated coverage of the stock with a 99p price target, suggesting 32% upside from current levels.

Theme:

Asian Citrus is a wonderful example of a good company coupled with an attractive underlying investment theme. In fact there are several investment themes:

1. Ethical investing. With the millions of trees involved and the healthy eating aspect, this company appeals to ethical investors.
2. Food inflation. This will benefit food producers such as Asian Citrus.
3. Emerging markets. Asian Citrus doesn’t export, so it’s a pure play on Chinese consumption growth. China’s inexorable rise as a global economic superpower was confirmed in 2010, having overtaken Japan as the world’s second-largest economy. Concern over asset bubbles and a hard landing are countered by the Chinese authorities enviable record of economic management.
4. Chinese Urbanisation. This is rapidly driving up the number of Chinese consumers who swell up the city supermarkets.

Catalysts for the share price:

1. As the Chinese become richer, they are becoming increasingly health conscious. The wealthy buy more fruit as it is a discretionary purchase and juice consumption tends to increase in line with income levels.



Thematic (cont)

Catalysts for the Share Price (cont):

2. Chinese consumption is growing but there is plenty of growth ahead as it is starting from such a low base. The Chinese eat around 10.5kg of oranges a year, compared with closer to 30kg in the Western world.
3. Asian Citrus recently listed its shares on the Hong Kong Stock Exchange, which has boosted investor interest in the company.
4. Production is rapidly growing due to its long-term planting programme which will see its plantations mature.

Technicals:

Primary Trend:

The primary trend of the stock price is up as indicated by the forward-sloping 200 day moving average. The RSI is currently 59%, positive yet not overbought and the ADX is 36, indicating the shares are in a strong trend.

Support Levels:

Natural support lies at the 200 day moving average, currently at 67p.

Chart Legend:

	20 day moving average	(signifies the short-term direction of the security. prices tend to gyrate around their 20 day m/a)
	50 day moving average	(signifies the medium-term direction of the security)
	200 day moving average	(signifies the long-term direction of the security - whether it is in a bull or bear market)
	bollinger bands	(an indicator that measures 2 standard deviations away from the 20 day m/a)

Technical Analysis Guide:

ADX (average directional index) - indicates whether a security is in a trend (above 20) or not in a trend (below 20). For trending markets moving averages work best when considering lines of support/resistance. For non-trending markets bollinger bands work best (sell at upper band, buy at lower band).

RSI (relative strength index) - indicates whether a security is overbought (above 70) or oversold (below 30). Also when the RSI moves above 50 that is considered bullish (or vice versa).

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