

## What's Ahead For **Tianyun International** Holdings Limited (HKG:6836)? 【Simply Wall Street】

2018-03-29 | Simply Wall Street | 网络新闻 | [查看原始内容](#)

**Tianyun International** Holdings Limited (SEHK:6836), a HK\$1.35B small-cap, is a consumer staples company operating in an industry which supplies necessities to consumers. This means it is less sensitive to changes in the economic cycle given that demand remains relatively stable over time. However, the key uncertainty facing the food product industry specifically is around the change in consumer taste and growth in customer expectation from food producers. The demand is still there but the game is changing – pressure for organic, sustainably sourced, ethically traded and healthy food is growing, spurred by millennials and more conscious consumers. Consumer staple analysts are forecasting for the entire industry, a strong double-digit growth of 18.44% in the upcoming year, and a whopping growth of 33.65% over the next couple of years. This rate is larger than the growth rate of the Hong Kong stock market as a whole. Should your portfolio be overweight in the food product sector at the moment? Today, I will analyse the industry outlook, as well as evaluate whether **Tianyun International** Holdings is lagging or leading its competitors in the industry.

What's the catalyst for **Tianyun International** Holdings's sector growth?

Disruption from consumers is becoming more prominent than that of industry competitors. Consumers are predominantly leaning towards more health-conscious alternatives such as whole and raw ingredients. Additionally, new companies with unique business models have emerged in the wake of this healthier food trend. Over the past year, the industry saw negative growth of -0.54%, underperforming the Hong Kong market growth of 15.16%. **Tianyun International** Holdings is neither a lagger nor a leader, and has been growing in-line with its industry peers at around -2.13% in the prior year. However, analysts are not expecting this trend to continue, with future growth expected to be 11.23% compared to the wider consumer staples sector growth hovering in the teens next year. As a future industry laggard in growth, **Tianyun International** Holdings may be a cheaper stock relative to its peers.

Is **Tianyun International** Holdings and the sector relatively cheap?

The food product sector's PE is currently hovering around 15.13x, relatively similar to the rest of the Hong Kong stock market PE of 13.22x. This means the industry, on average, is fairly valued compared to the wider market – minimal expected gains and losses from mispricing here. Furthermore, the industry returned a similar 9.65% on equities compared to the market's 9.76%. On the stock-level, **Tianyun International** Holdings is trading at a lower PE ratio of 9.13x, making it cheaper than the average food product stock. In terms of returns, **Tianyun International** Holdings generated 20.06% in the past year, which is 10.40% over the food product sector.

## Next Steps:

**Tianyun International** Holdings is a food product industry laggard in terms of its future growth outlook. This is possibly reflected in the PE ratio, with the stock trading below its peers. If the stock has been on your watchlist for a while, now may be the time to dig deeper. Although the market is expecting lower growth for the company relative to its peers, **Tianyun International** Holdings is also trading at a discount, meaning that there could be some value from a potential mispricing. However, before you make a decision on the stock, I suggest you look at **Tianyun International** Holdings's fundamentals in order to build a holistic investment thesis.

**Financial Health:** Does it have a healthy balance sheet? Take a look at our free balance sheet analysis with six simple checks on key factors like leverage and risk.

**Historical Track Record:** What has 6836's performance been like over the past? Go into more detail in the past track record analysis and take a look at the free visual representations of our analysis for more clarity.

**Other High-Growth Alternatives :** Are there other high-growth stocks you could be holding instead of **Tianyun International** Holdings? Explore our interactive list of stocks with large growth potential to get an idea of what else is out there you may be missing!