

Fitch: Yestar's Leverage to Remain Healthy Despite Acquisitions

Yestar International Holdings Company Limited's leverage may rise in 2017 following recent acquisitions in southern China, but Fitch Ratings expects leverage to remain at a healthy level

Yestar acquired 70% in each of three Roche Diagnostics distributors in southern China at the beginning of this year for CNY931m, of which a portion was pre-paid at the end of 2016. Following these acquisitions, Yestar has become one of the largest distributors for Roche Diagnostics in China with 15% market share by sales. After accounting for the recent acquisitions and the purchase of the remaining 30% in its subsidiary Yestar Biotech (Jiangsu), Fitch expects Yestar's net debt to exceed CNY1.1 billion by end-2017, compared with CNY0.4 billion at end-2016. Nonetheless, Fitch does not expect Yestar's FFO-adjusted net leverage to exceed 2.5x, the level at which Fitch would consider negative rating action.

Yestar's 2016 results were solid and largely in line with Fitch's expectations. The medical products division continued to grow and accounted for 77% of revenue in 2016. Revenue for the traditional image printing business declined by 11% yoy, but this was partly offset by higher margins as the company choose to pursue profit over market share in the mature industry.

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