

Company Report: Xinyi Solar (00968 HK)

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公司报告: 信义光能 (00968 HK)

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To Further Ramp Up the Solar Glass Capacity, Maintain "Buy"

将进一步提升其光伏玻璃产能，维持“买入”

- Net earnings in 2021 increased 8.0% YoY to HK\$4,924 mn.** The annual results of Xinyi in 2021 exceeded our expectation but missed the market expectation. Actual net profit in 2021 was approximately 95.5% of the market consensus earnings forecast. During 2021, revenue from solar glass jumped YoY by 30.3% to HK\$13,019 mn while that from solar farm climbed 28.0% YoY to HK\$2,974 mn. Solar glass sales accounted for 81.0% of the total revenue of Xinyi Solar in 2021. Consolidated gross margin in 2021 went down YoY by 6.5 ppt to 47.0%. Segmental gross margin of solar farm in 2021 stayed relatively flat at 73.1%, but that of solar glass dropped YoY by 7.9 ppt to 41.1% as the ASP of 3.2 mm solar glass products dropped 10.5% YoY.
- We adjust our earnings estimates under the expectation of low solar glass selling price.** We expect Xinyi Solar to add approximately 20,000 tpd of solar glass capacity and 2.23 GW of solar farm capacity from 2022 to 2024. Meanwhile, as we expect low solar glass selling price to persist throughout our forecast period, we trim down the blended solar glass ASP (per sq.m) estimation to RMB25.6/ RMB24.6/ RMB23.8 from 2022 to 2024, respectively. Solar glass gross margin is thus projected to be 30.1%/ 29.8%/ 29.5% from 2022 to 2024, respectively. Our revised EPS forecasts from 2022 to 2024 are HK\$0.595, HK\$0.704 and HK\$0.797, respectively.
- We maintain our investment rating of "Buy" but adjust our TP to HK\$17.60.** Our new TP corresponds to 29.6x/ 25.0x/ 22.1x 2022 to 2024 PER or 4.7x/ 4.3x/ 3.9x 2022 to 2024 PBR, respectively.
- 2021 年净利润同比上升 8.0% 至 4,924 百万港元。** 公司于 2021 年的业绩好于我们的预期，但差于市场预期。期内实际净利润约等于市场一致预期值的 95.5%。公司于 2021 年的光伏玻璃收入同比大升 30.3% 至 13,019 百万港元，而期内的光伏电站收入则同比上升 28.0% 至 2,974 百万港元。光伏玻璃收入占期内公司总收入的 81.0%。期内的综合毛利率同比下降 6.5 个百分点至 47.0%。光伏电站板块的毛利率于期内基本持平在 73.1%，但光伏玻璃板块于期内的毛利率则同比下降 7.9 个百分点至 41.1%，主要由于 3.2 毫米光伏玻璃产品的平均价格同比回落了 10.5%。
- 在低光伏玻璃价格的预期下，我们调整了对公司的盈利预测。** 我们预计信义光能于 2022 至 2024 年间将新增约 2 万吨/天的光伏玻璃产能和 2.23 吉瓦的光伏电站装机容量。此外，由于我们预计光伏玻璃的低售价将在整个预测期内持续存在，我们将公司于 2022 至 2024 年的光伏玻璃的每平方米综合平均售价分别下调至人民币 25.6 元/ 24.6 元/ 23.8 元。因此，2022 至 2024 年的光伏玻璃毛利率预计将分别为 30.1%/ 29.8%/ 29.5%。我们经调整后的 2022 至 2024 年的每股盈利预测分别为 0.595 港元 / 0.704 港元 / 0.797 港元。
- 我们维持“买入”的评级但将目标价调整至 17.60 港元。** 我们的新目标价相当于 29.6 倍 / 25.0 倍 / 22.1 倍 2022 至 2024 年市盈率或 4.7 倍 / 4.3 倍 / 3.9 倍 2022 至 2024 年市净率。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$17.60

Revised from 原目标价:

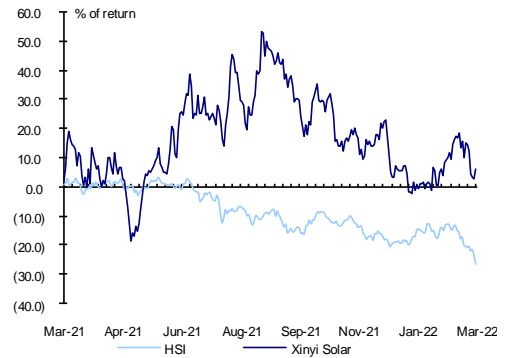
HK\$22.00

Share price 股价:

HK\$13.060

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	2.0	(10.3)	3.7
Rel. % to HS Index 相对恒指变动 %	15.5	1.9	29.9
Avg. Share price(HK\$) 平均股价 (港元)	13.7	13.3	14.4

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2020A	12,316	4,561	0.554	82.8	23.6	3.011	4.3	0.249	1.9	22.4
2021A	16,065	4,924	0.556	0.4	23.5	3.409	3.8	0.270	2.1	17.3
2022F	22,198	5,291	0.595	7.0	21.9	3.736	3.5	0.285	2.2	16.7
2023F	27,306	6,264	0.704	18.3	18.6	4.117	3.2	0.339	2.6	17.9
2024F	33,072	7,095	0.797	13.2	16.4	4.541	2.9	0.384	2.9	18.4
Shares in issue (m) 总股数 (m)			8,890.8		Major shareholder 大股东				Xinyi Group 22.9%	
Market cap. (HK\$ m) 市值 (HK\$ m)			116,113.8		Free float (%) 自由流通比率 (%)				50.7	
3 month average vol. 3 个月平均成交股数 ('000)			28,938.3		FY22 Net gearing (%) FY22 净负债/股东资金 (%)				25.7	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)			19.360 / 9.900		FY22 Est. NAV (HK\$) FY22 每股估值 (港元)				19.5	

Source: the Company, Guotai Junan International.

Net earnings in 2021 increased 8.0% YoY to HK\$4,924 mn. Revenue and net profit of the Company in 2021 went up YoY by 30.4% and 8.0% to HK\$16,065 mn and HK\$4,924 mn, respectively. The annual results of Xinyi in 2021 exceeded our expectation but missed the market expectation. Actual net profit in 2021 was approximately 95.5% of the market consensus earnings forecast. During 2021, revenue from solar glass jumped YoY by 30.3% to HK\$13,019 mn while that from solar farm climbed 28.0% YoY to HK\$2,974 mn. Solar glass sales accounted for 81.0% of the total revenue of Xinyi Solar in 2021. The sharp rise in solar glass sales was mainly driven by higher sales volume, higher contribution from thin-glass sales and the depreciation of HKD against both RMB and MYR. Solar glass sales volume grew 30.9% YoY in 2021 but the average selling price of 3.2 mm mainstream solar glass product was 10.5% lower than that of 2020. Consolidated gross margin in 2021 went down YoY by 6.5 ppt to 47.0% and net margin was down by 6.3 ppt YoY to 30.7%. Segmental gross margin of solar farm in 2021 stayed relatively flat at 73.1%, but that of solar glass dropped YoY by 7.9 ppt to 41.1% as the ASP of 3.2 mm solar glass products dropped despite its increased sales volume during the period. Solar glass gross margin in 2H2021 was down 20.5 ppt HoH to 30.7% from 51.2% recorded in 1H2021 as a result of sharp pullback on solar glass price since 2Q2021. The Company added 4,000 tons of new solar glass capacity and 603 MW of solar farm during the period. At the end of 2021, Xinyi Solar's daily melting solar glass capacity and grid connected solar farm capacity reached 13,800 tons (+40.8% YoY; including two 900 ton production lines under cold repair since mid-November 2021, which are expected to resume operation in 2Q2022) and 4.07 GW (+17.4% YoY), respectively. The Company is poised to add 8,000 tons of new solar glass capacity in 2022 with another 10,400 tons in its pipeline aiming to be launched from 2023 onwards. The Company also aims to add 720 MW of solar farm capacity in 2022. Furthermore, the Company announced in December 2021 that it has officially entered into the poly-silicon business through the setting up of a poly-silicon production facility with a yearly capacity of 60,000 tons in Yunnan Province, China. The said poly-silicon project is expected to be launched in late 2023 or early 2024, becoming a new growth driver of the Company.

Table-1: Xinyi Solar's 2021 Results Overview and Brief Comments

(HK\$ mn)	2021	2020	YoY Δ	Comments
Revenues	16,064.7	12,315.8	+30.4%	Solar glass sales went up 30.3% YoY and contributed 81.0% of total revenue
COGS	(8,516.2)	(5,732.2)	+48.6%	
Gross profit	7,548.5	6,583.6	+14.7%	Consolidated gross margin was down 6.5 ppt YoY due to lower solar glass price in 2021
Selling & marketing expenses	(527.4)	(316.6)	+66.6%	
Admin expenses	(710.7)	(548.2)	+29.6%	
Other income	277.7	190.6	+45.7%	
Other gains & expenses	(73.6)	(56.2)	+31.1%	
EBIT (operating income)	6,514.4	5,853.2	+11.3%	
Share of profit of JV / associate	38.0	35.6	+6.8%	
Finance income / cost	15.9	(130.4)	n.a.	Finance income surged while finance cost dropped
Profit before tax	6,568.3	5,758.4	+14.1%	
Tax expense	(987.2)	(735.3)	+34.3%	
Minority interest	(656.8)	(462.3)	+42.1%	
Net income	4,924.3	4,560.9	+8.0%	
EPS (HK\$)	0.5565	0.5540	+0.5%	Weighted average shares outstanding in 2021 went up sharply due to share placements completed in 2H2020
Margins (YoY comparison)			YoY ppt Δ	
Gross margin	47.0%	53.5%	-6.5 ppt	Solar glass gross margin was down 7.9 ppt YoY to 41.1% due to lower selling price
EBIT margin	40.6%	47.5%	-6.9 ppt	
PBT margin	40.9%	46.8%	-5.9 ppt	
Net margin	30.7%	37.0%	-6.3 ppt	

Source: the Company, Guotai Junan International.

Solar glass price may remain low in 2022 as approximately 20,000 ton/day of new capacity is expected to enter the market in 2022. As at March 3rd 2022, the 3.2 mm mainstream processed solar glass price rebounded slightly to RMB26/sq.m from RMB25/sq.m in late December 2021, but the price is still 35.0% lower compared to that of last year. The existing price translates to approximately 25%-30% of gross margin for solar glass industry leaders like Xinyi Solar. Nationwide solar glass capacity totaled 43,610 ton/day, up YoY by 29.3%. The current industry average inventory level stood at 22.1 days, up 3.4% YoY. From the expansion plans of leading solar glass players within the industry, we expect that approximately 20,000 ton/day of new solar glass capacity will enter the market during 2022 to end the year with more than 63,000 ton/day of solar glass capacity. Thus, the solar glass price may remain under pressure in the short term if its strong supply is not to be met with strong demand in 2022. In contrast to the strong selling price of more than RMB40/sq.m seen in 4Q2020 and 1Q2021, the mainstream 3.2 mm processed solar glass selling price is expected to fluctuate between RMB23/sq.m and RMB28/sq.m in 2022. We believe that earnings growth for solar glass players in 2022 and 2023 will mainly be coming from sales volume increase coupled with stable solar glass price. Although pressure exists in the short term due to the rapid ramp-up of capacity, the long-term outlook of the solar glass industry remains bright. We believe that expected global solar installation growth in the next few years will drive up solar glass price again some point in the future.

Global newly installed solar capacity is estimated to be 220 GW/ 270 GW/ 350 GW from 2022 to 2024, respectively.

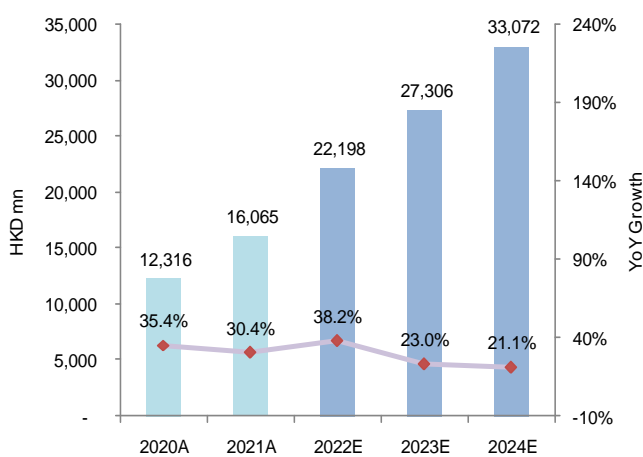
According to data from the China Photovoltaic Industry Association (CPIA), global total newly installed solar capacity in 2021 was approximately 170 GW, representing an increase of 23.0% YoY. The top five markets in 2021 are: 1) China (added 54.9 GW, up 14.0% YoY), the United States (added 26.8 GW, up 39.6% YoY), the European Union (added 25.9 GW, up 34.0% YoY), India (added 11.9 GW, up 218% YoY), and Japan (added 6.9 GW, down 15.8% YoY). The world's top five markets collectively contributed 126.4 GW of new solar installations in 2021, accounting for about 74.4% of global total installations during the period. We expect new solar installations globally to further climb to 220 GW/ 270 GW/ 350 GW in the period from 2022 to 2024, up YoY by 29.4%/ 22.7%/ 29.6%, respectively. In the next few years, we believe that the China market will stabilize at an average annual solar installations of more than 80 GW (we expect the China market to install 75 GW/ 80 GW/ 90 GW of new capacity between 2022 and 2024, respectively). Meanwhile, overseas markets will be mainly dominated by the European Union and the United States, which in aggregate are expected to record more than 60 GW of annual solar installations during the period from 2022 to 2024. The top three solar markets in the world are expected to contribute more than half of all new solar installations globally over next few years, in our opinion.

Formal entry into poly-silicon business with the recent formation of Xinyi Silicon. The Company announced in mid-December 2021 that Xinyi Solar (968.HK) and Xinyi Glass (868.HK) had entered a joint venture agreement to establish Xinyi Silicon. Xinyi Silicon will be mainly engaged in the Poly-silicon Production Project, which would construct poly-silicon production facilities in Qujing City, Yunan Province with an estimated annual production capacity of 60,000 ton (which may subsequently be increased to 200,000 ton in different phases of expansion) together with up to 10,000 ton of white carbon black. The newly formed Xinyi Silicon is owned 52.0% by Xinyi Solar and 48.0% by Xinyi Glass and is a non-wholly owned subsidiary of Xinyi Solar. Xinyi Solar and Xinyi Glass have agreed to provide an aggregate maximum funding commitment of RMB3.3 billion. In which, the amount of maximum funding commitment of Xinyi Solar and Xinyi Glass will be RMB1.7 billion and RMB1.6 billion, respectively. Total investment of the Poly-silicon Production Project (i.e. 60,000 ton poly-silicon) is estimated to be RMB6 billion, and the Company will seek external financing for the shortfall in funding. The construction of the poly-silicon project is expected to be two years. Due to the shortfall in its supply, poly-silicon price surged from US\$6.2 per kg in June 2020 to US\$33.1 per kg by late February 2022, rising by an astonishing 466% over last 21 months. The current price corresponds to more than 60% in gross margin for leading poly-silicon suppliers in the industry. In 2021, nationwide poly-silicon production capacity reached 505,000 ton, which is only sufficient to meet approximately 168 GW of solar module production. The tight supply of poly-silicon had caused global solar installation to record only moderate growth in 2021. We expect global solar installations to reach 270 GW in 2023, which translates into approximately 810,000 ton of poly-silicon demand, 60.4% higher than the current poly-silicon capacity. With global solar installation likely to hit 350 GW by 2025, at least 1.05 million ton of poly-silicon will be needed to meet such demand. Overall, we are excited to see the Company entering into upstream solar material production and do expect this investment to accelerate the Company's growth in the latter part of the 14th Five-Year Plan period as well as into 15th Five-Year Plan period.

We adjust our earnings estimates under the expectation of low solar glass selling price. With approximately 20,000 tpd (ton per day) of solar glass capacity expected to enter the market in 2022 and potentially another 15,000-20,000 tpd of new capacity entering in 2023, we expect that the rapid rise in solar glass supply in the industry will continue to add pressure on the solar glass selling price. We believe that the current low price may continue all the way from 2022 to 2024. Thus, we have revised our key assumptions for the Company. We expect solar glass capacity of Xinyi Solar to be 21,800 tpd/ 27,800 tpd/ 33,800 tpd in 2022-2024, respectively; while solar farm capacity is expected to reach 4,773 MW/ 5,523 MW/ 6,303 MW, respectively. We expect Xinyi Solar to add approximately 20,000 tpd of solar glass capacity and 2.23 GW of solar farm capacity from 2022 to 2024. Assuming the average selling price of 3.2 mm solar glass is to fluctuate between RMB26 and RMB28 per sq.m and that of thin-glass products to average at RMB19 per sq.m (sales mix of thin glass assume to be 30%/ 30%/ 30% from 2022 to 2024, respectively), we expect blended solar glass ASP per sq.m of Xinyi Solar from 2022 to 2024 to be RMB25.6/ RMB24.6/ RMB23.8 from 2022 to 2024, respectively. With the solar glass capacity expansion and selling price estimates, we expect solar glass sales volume to increase YoY by 73.5%/ 30.9%/ 27.9% in 2022/ 2023/ 2024, respectively. Solar glass revenue is projected to contribute 84.2%/ 86.1%/ 87.8% of Xinyi's total sales from 2022 to 2024, respectively. Moreover, we expect the gross margin of solar glass segment to be 30.1%/ 29.8%/ 29.5% from 2022 to 2024, respectively, while solar farm gross margin will average at 75.8% from 2022 to 2024. We haven't factored in the financial contribution of Xinyi Silicon as it is still in a very preliminary stage. Despite the low solar glass selling price from 2022 to 2024, we expect the increased sales volume resulted from capacity expansions to drive growth of Xinyi Solar. We estimate the CAGR of Xinyi's net earnings from 2021 and 2024 to be 12.9%. Based on new assumptions, our revised EPS estimates from 2022 to 2024 are HK\$0.595, HK\$0.704 and HK\$0.797, respectively.

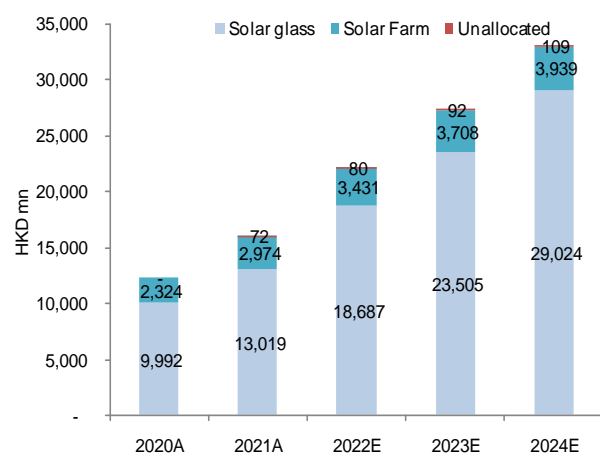
We reiterate our investment rating of "Buy" but adjust our TP to HK\$17.60. To meet long-term demand for solar glass driven by rising global investment on solar energy in next few years, Xinyi Solar has scheduled to dramatically ramp up its solar glass production capacity from 2022 to 2024 by adding approximately 20,000 tpd of solar glass capacity during the 3-year period. We expect that the market leading position of Xinyi Solar will be maintained over time despite the challenges brought by its peers in the solar glass industry. As global demand on solar materials is projected to be on the rise, we remain very bullish on the long-term prospects of the solar glass industry as well as the outlook of the Company despite the short-term pressure caused by the low solar glass selling price. We reiterate the investment rating of "Buy" but adjust our TP to HK\$17.60. The new TP translates to 29.6x/ 25.0x/ 22.1x 2022 to 2024 PER or 4.7x/ 4.3x/ 3.9x 2022 to 2024 PBR, respectively.

Figure-1: Historical & Forecast Revenue



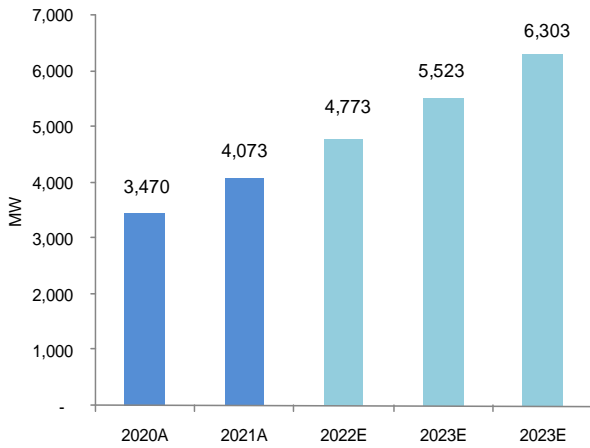
Source: the Company, Guotai Junan International.

Figure-2: Revenue Breakdown by Segment



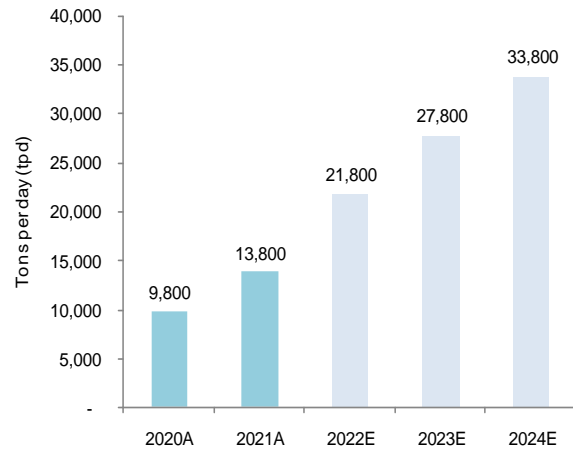
Source: the Company, Guotai Junan International.

Figure-3: Historical & Forecast Solar Farm Capacity



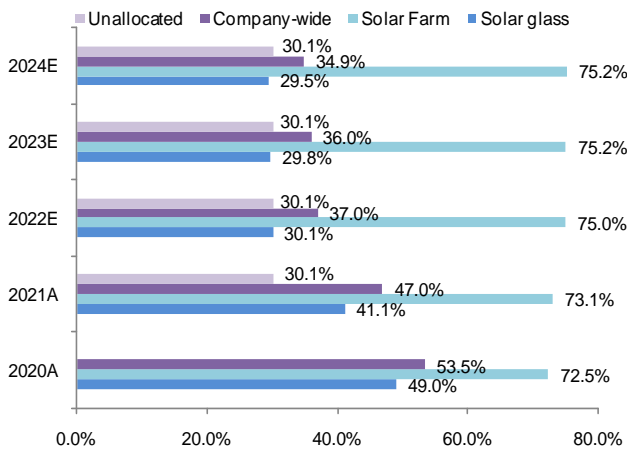
Source: the Company, Guotai Junan International.

Figure-4: Historical & Forecast Solar Glass Capacity



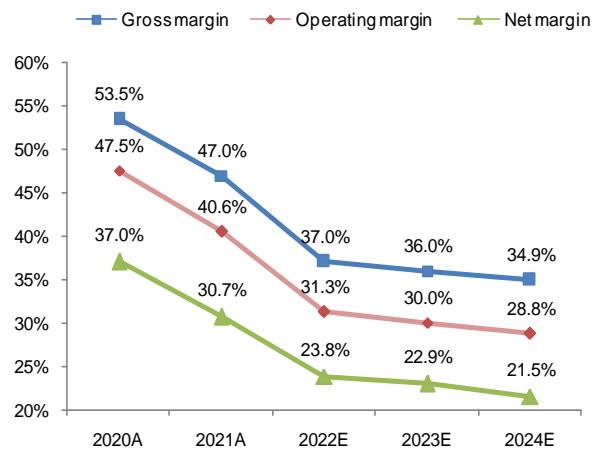
Source: the Company, Guotai Junan International.

Figure-5: Gross Margin by Business Segment



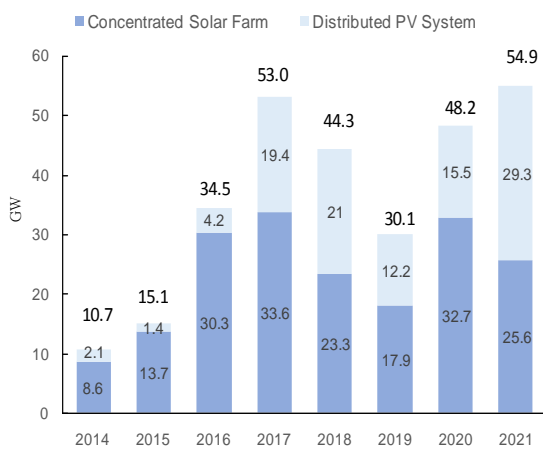
Source: the Company, Guotai Junan International.

Figure-6: Margin Analysis



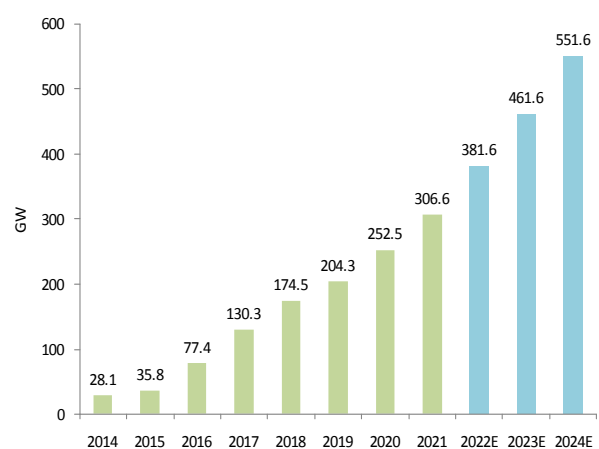
Source: the Company, Guotai Junan International.

Figure-7: Historical New Solar Installations in China



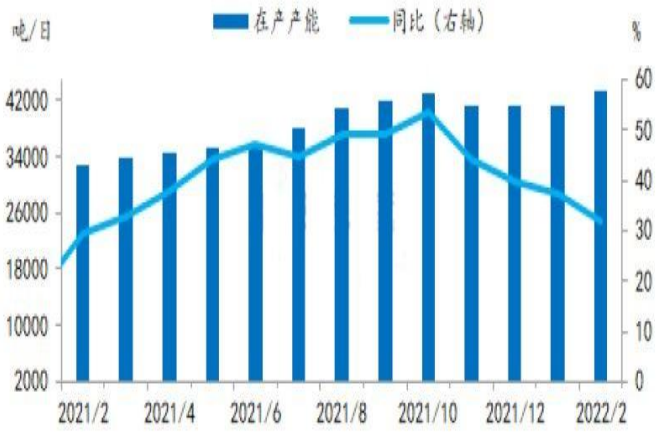
Source: NEA, Guotai Junan International.

Figure-8: China's Cumulative Solar Capacity Forecast



Source: NEA, Guotai Junan International.

Figure-9: Nationwide Solar Glass Daily Melting Capacity



Source: SCI, Guotai Junan International.

Figure-10: Price of 3.2 mm Solar Glass



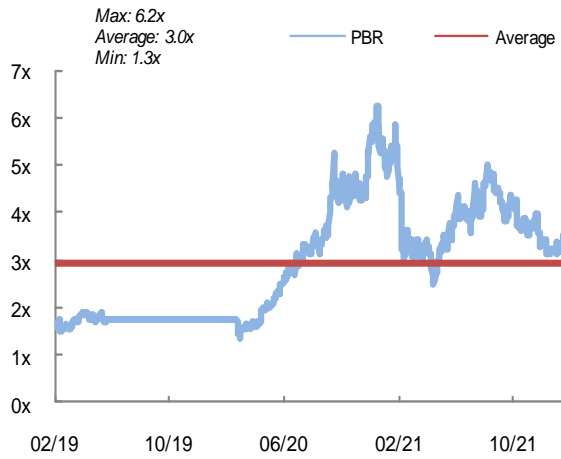
Source: SCI, Guotai Junan International. * Unit: RMB/sq.m.

Figure-11: Forward PER of Xinyi Solar



Source: Bloomberg, Guotai Junan International.

Figure-12: Forward PBR of Xinyi Solar



Source: Bloomberg, Guotai Junan International.

Table-2: Peers Comparison

Company	Stock Code	Currency	Last price (in local \$)	PER				PBR				ROE (%)	EV/EBITDA(x)	Market Cap
				21A	22F	23F	24F	21A	22F	23F	24F	22F	22F	HK\$ mn
Poly-silicon & Wafer														
Comtec Solar Systems Group	00712 HK	HKD	0.27	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	210
Daqo New Energy Corp-Adr	DQ US	USD	47.21	4.6	2.9	4.8	5.5	1.6	1.0	1.0	1.0	40.7	1.1	27,134
Gcl-Poly Energy Holdings Ltd	03800 HK	HKD	2.73	10.8	8.9	9.7	n.a.	2.2	1.6	1.4	n.a.	18.1	6.0	73,980
Longi Silicon Materia-A	601012 CH	CNY	76.80	38.3	28.4	22.9	21.7	8.9	7.0	5.5	n.a.	26.5	20.2	514,190
Oci Co Ltd	010060 KS	KRW	108,000.00	3.9	4.8	5.2	6.4	0.8	0.7	0.6	0.7	16.8	3.4	16,348
TBEA Co Ltd	600089 CH	CNY	19.72	12.7	12.3	12.3	n.a.	1.7	1.6	1.4	n.a.	12.3	8.8	92,408
Wacker Chemie Ag	WCH GR	EUR	123.90	8.0	9.6	12.0	11.2	2.6	2.1	1.9	1.5	23.4	4.0	54,909
Xinte Energy	1799 HK	HKD	15.72	3.4	3.2	3.9	n.a.	0.9	0.7	0.6	n.a.	25.7	4.5	22,480
Simple Average				11.7	10.0	10.1	11.2	2.7	2.1	1.8	1.1	23.4	6.9	
Weighted Average				27.9	21.4	18.2	19.7	6.4	5.0	4.0	1.2	24.2	15.0	
Cell & Module														
Canadian Solar Inc	CSIQ US	USD	31.90	22.2	10.2	10.5	12.3	1.0	0.9	0.8	n.a.	10.9	6.0	15,871
Jinkosolar Holding Co-Adr	JKS US	USD	50.88	25.5	11.1	10.3	10.9	1.3	1.1	1.0	n.a.	11.6	9.1	18,612
Renesola Ltd-Adr	SOL US	USD	5.94	27.9	17.6	18.0	n.a.	n.a.	n.a.	n.a.	n.a.	4.5	n.a.	3,239
Simple Average				25.2	13.0	12.9	11.6	1.1	1.0	0.9	n.a.	9.0	7.5	
Weighted Average				24.3	11.3	11.0	11.5	1.2	1.0	0.9	n.a.	10.7	7.7	
Solar Glass														
Ancai Hi-Tech Co-A	600207 CH	CNY	6.29	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6,714
Changzhou Almaden Co-A	002623 CH	CNY	28.39	46.4	20.7	15.2	n.a.	1.7	1.6	1.5	n.a.	7.3	n.a.	6,990
Csg Holding Co Ltd- A	000012 CH	CNY	3.05	3.7	2.7	2.7	n.a.	0.8	0.7	0.6	n.a.	19.6	n.a.	22,815
Flat Glass Group Co Ltd-H	6865 HK	HKD	31.35	25.1	20.7	14.5	13.2	4.6	3.9	3.2	2.8	21.2	23.5	117,120
Irico Group New Energy Com-H	438 HK	HKD	14.98	45.1	32.9	n.a.	n.a.	17.4	7.8	n.a.	n.a.	32.1	n.a.	2,641
Xinyi Solar Holdings Ltd	968 HK	HKD	13.06	23.5	20.4	16.2	13.6	3.8	3.4	3.0	2.8	17.4	14.4	116,124
Simple Average				28.7	19.5	12.2	13.4	5.7	3.5	2.1	2.8	19.5	18.9	
Weighted Average				23.3	19.1	14.3	13.4	4.0	3.4	2.8	2.8	19.1	19.0	

 Source: Bloomberg, Guotai Junan International. Updated as of March 7th 2022.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (HK\$ m)	2020A	2021A	2022F	2023F	2024F	Year end 31 Dec (HK\$ m)	2020A	2021A	2022F	2023F	2024F
Total Revenue	12,316	16,065	22,198	27,306	33,072	PPE	20,406	24,844	30,207	35,012	39,073
COGS	(5,732)	(8,516)	(13,982)	(17,482)	(21,519)	Prepaid expense	1,021	980	1,225	1,532	1,914
Gross profit	6,584	7,548	8,216	9,824	11,552	Right-of-use assets	1,408	1,917	2,071	2,226	2,380
Selling expense	(317)	(527)	(601)	(755)	(932)	Others	711	504	657	732	780
Admin expense	(548)	(711)	(888)	(1,120)	(1,356)	Total Non-current Assets	23,545	28,246	34,160	39,502	44,147
Other income	191	278	319	367	422	Cash & Cash Equivalents	9,291	7,458	5,772	4,369	4,041
Other gains / expenses	(56)	(74)	(96)	(124)	(162)	Inventories	728	2,045	2,080	3,007	4,024
Operating Profit	5,853	6,514	6,952	8,192	9,524	Trade receivable	8,136	9,470	13,763	16,110	18,189
Share of JV / affiliate	36	38	42	46	51	Others	1,723	1,851	4,187	5,118	6,168
Net finance costs	(130)	16	(286)	(356)	(420)	Total Current Assets	19,878	20,825	25,802	28,604	32,423
Profit Before Tax	5,758	6,568	6,707	7,882	9,155	Total Assets	43,423	49,070	59,962	68,106	76,570
Income Tax	(735)	(987)	(789)	(951)	(1,373)	Short-term debts	3,410	3,658	8,473	9,731	9,449
Profit After Tax	5,023	5,581	5,918	6,932	7,782	Trade payable	1,050	1,284	2,307	2,885	3,551
Non-controlling Interest	(462)	(657)	(626)	(668)	(686)	Accruals and other payables	2,328	2,434	2,556	2,684	2,818
Shareholders' Profit / Loss	4,561	4,924	5,291	6,264	7,095	Others	938	341	447	595	802
Basic EPS (HK\$)	0.554	0.556	0.595	0.704	0.797	Total Current Liabilities	7,725	7,716	13,783	15,895	16,620
DPS (HK\$)	0.249	0.270	0.285	0.339	0.384	Long-term debts	2,703	4,350	5,850	8,050	11,550
						Deferred tax liabilities	12	30	30	30	30
						Others	959	1,076	1,132	1,191	1,253
						Total Non-current Liabilities	3,674	5,457	7,013	9,272	12,834
						Total Liabilities	11,399	13,173	20,796	25,167	29,454
						Total Shareholders' Equity	26,522	30,312	33,241	36,653	40,457
						Minority Interest	5,503	5,585	5,925	6,287	6,659
						Total Equity	32,025	35,897	39,166	42,940	47,116
						BPS (HK\$)	3.011	3.409	3.736	4.117	4.541

Cash Flow Statement					
Year end 31 Dec (HK\$ m)	2020A	2021A	2022F	2023F	2024F
Operating activities					
Net income	4,561	4,924	5,291	6,264	7,095
D&A	856	1,120	1,446	1,795	2,233
Change in working capital	(1,512)	(3,036)	(5,412)	(3,352)	(3,139)
Others	380	621	206	263	231
Cash from Operating Activities	4,284	3,629	1,532	4,969	6,420
Investing activities					
Capital expenditure	(3,288)	(4,938)	(7,000)	(6,800)	(6,500)
Proceeds from disposal	1	2	37	45	53
Others	92	178	56	76	89
Cash from Investing Activities	(3,195)	(4,758)	(6,906)	(6,678)	(6,359)
Financing activities					
Debt raised / (repaid)	(570)	1,895	6,315	3,458	3,218
Dividend paid (common)	(444)	(301)	(2,282)	(2,801)	(3,243)
Capital injection from minority	893	0	0	0	0
Proceeds from stocks issued	6,562	53	73	93	92
Others	(555)	(2,453)	(419)	(444)	(456)
Cash from Financing Activities	5,887	(806)	3,688	306	(389)
Net Changes in Cash	6,977	(1,935)	(1,687)	(1,403)	(328)
Adjustments	93	102	0	0	0
Cash at Beg of Year	2,221	9,291	7,458	5,772	4,369
Cash at End of Year	9,291	7,458	5,772	4,369	4,041

Financial Ratios					
	2020A	2021A	2022F	2023F	2024F
Gross margin (%)	53.5%	47.0%	37.0%	36.0%	34.9%
EBIT margin (%)	47.5%	40.6%	31.3%	30.0%	28.8%
EBITDA margin (%)	54.5%	47.5%	37.6%	36.4%	35.4%
PBT margin (%)	46.8%	40.9%	30.2%	28.9%	27.7%
Net margin (%)	37.0%	30.7%	23.8%	22.9%	21.5%
ROE (%)	22.4%	17.3%	16.7%	17.9%	18.4%
ROA (%)	12.7%	10.6%	9.7%	9.8%	9.8%
Net gearing (%)	Net cash	1.8%	25.7%	36.6%	41.9%
Inventory turnover (day)	46.4	87.7	54.3	62.8	68.3
AR turnover (day)	241.1	215.2	226.3	215.4	200.8
AP turnover (day)	66.8	55.0	60.2	60.2	60.2
EV / EBITDA (x)	17.7	16.0	15.6	13.7	11.9
EV / Sales (x)	9.6	7.6	5.9	5.0	4.2
Quick ratio (x)	2.5	2.4	1.7	1.6	1.7
Current ratio (x)	2.6	2.7	1.9	1.8	2.0

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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