



Flash Note: Xingfa Aluminium (00098 HK)

Kevin Guo 郭勇
(86755) 2397 6671

快讯：兴发铝业 (00098 HK)

yong.guo@gtjas.com.hk

20 March 2023

Growth Prospects Remain Good

发展前景依旧良好

- **We maintain the investment rating of Xingfa Aluminum (the "Company") as "Buy", with TP of HK\$11.73.** Our TP represents 2.4x 2023 PER and 1.9x 2024 PER. We expect sales of aluminum extrusion products for new energy vehicles to maintain fast growth and contribute more profit in 2023.
- **We expect sales of aluminum extrusion products for new energy vehicles to record fast growth in 2023.** In 2022, Xingfa Aluminum entered into the supply chain of new energy vehicles (NEV) for the first time, acquiring NEV customers. The Company will keep strengthening the research and development of industrial aluminum profiles in order to better grasp market opportunities and seize market share in various segments. At the same time, the Company also increased its production capacity, and Foshan Sanshui Precision Manufacturing Base was fully put into operation in 2022. We expect sales of aluminum extrusion products for new energy vehicles to benefit greatly from the fast development of the new energy vehicle industry and expect it to be the main source of growth for the Company in the next 3 years.
- **The decline in net profit in 2022 was temporary; the Company still holds great competitive advantages in the aluminum extrusion sector.** The decline in net profit in 2022 was mainly attributable to impairment loss on trade and other receivables, the operation of the Company remained stable. Total sales of aluminum extrusion products and total revenue of the Company still recorded growth while the domestic property sector was confronted with great challenges, which fully reflected the competitive advantages of the Company. We believe the growth prospects of the Company remain good.
- **Catalyst:** Fast sales growth of new energy vehicles; recovery of domestic property market.
- **Risks:** Development of aluminum extrusion products for vehicles may miss expectation; fierce competition from other aluminum extrusion producers; domestic property market may remain weak.
- **我们维持兴发铝业（“公司”）“买入”的投资评级，目标价 11.73 港元。**我们的目标价相当于 2.4 倍 2023 年市盈率和 1.9 倍 2024 年市盈率。我们预计新能源汽车用铝型材的销量在 2023 年将保持快速增长并贡献更多的利润。
- **我们预计新能源汽车用铝型材的销售在 2023 年将录得快速增长。**兴发铝业在 2022 年首次进入了新能源汽车的供应链并开拓了新能源汽车客户。公司将会继续加强工业铝型材产品的研究和开发以更好把握市场机会及抢占各细分领域的市场份额。与此同时，公司也提升了其产能，佛山三水精密制造基地在 2022 年全面投产。我们预计新能源汽车用铝挤压材将极大受益于新能源汽车产业的快速发展并成为公司未来三年主要的增长来源。
- **2022 年公司净利润的下滑是暂时的，公司在铝挤压行业的竞争优势仍然十分显著。**2022 年公司净利润的下滑主要是由于应收账款减值损失，公司经营保持稳定。在国内房地产市场面临巨大挑战时公司的铝型材总销量和总收入仍然录得了增长，充分显示了公司的竞争优势。我们认为公司的发展前景依旧良好。
- **催化剂：**新能源汽车销量的快速增长；国内房地产市场的复苏。
- **风险因素：**车用铝挤压材的开发不及预期；其它铝挤压生产企业的激烈竞争；国内房地产市场持续疲软。

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.

DISCLOSURE OF INTERESTS

- (1) The Analysts and their associates do not serve as an officer of the issuer mentioned in this Research Report.
- (2) The Analysts and their associates do not have any financial interests in relation to the issuer mentioned in this Research Report.
- (3) Guotai Junan and its group companies do not hold equal to or more than 1% of the market capitalization of the issuer mentioned in this Research Report.
- (4) Guotai Junan and its group companies have not had investment banking relationships with the issuer mentioned in this Research Report within the preceding 12 months.
- (5) Guotai Junan and its group companies are not making a market in the securities in respect of the issuer mentioned in this Research Report.
- (6) Guotai Junan and its group companies have not employed an individual serving as an officer of the issuer mentioned in this Research Report. There is no officer of the issuer mentioned in this Research Report associated with Guotai Junan and its group companies.

DISCLAIMER

This Research Report does not constitute an invitation or offer to acquire, purchase or subscribe for securities by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Guotai Junan and its group companies may do business that relates to companies covered in research reports, including investment banking, investment services, etc. (for example, the placing agent, lead manager, sponsor, underwriter or invest proprietarily).

Any opinions expressed in this report may differ or be contrary to opinions or investment strategies expressed orally or in written form by sales persons, dealers and other professional executives of Guotai Junan group of companies. Any opinions expressed in this report may differ or be contrary to opinions or investment decisions made by the asset management and investment banking groups of Guotai Junan.

Though best effort has been made to ensure the accuracy of the information and data contained in this Research Report, Guotai Junan does not guarantee the accuracy and completeness of the information and data herein. This Research Report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Investors should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision.

This Research Report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Guotai Junan and its group companies to any registration or licensing requirement within such jurisdiction.

© 2023 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.
 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk