

Xinyi Glass

868.HK / 868 HK

China

Auto parts / Construction m

BUY

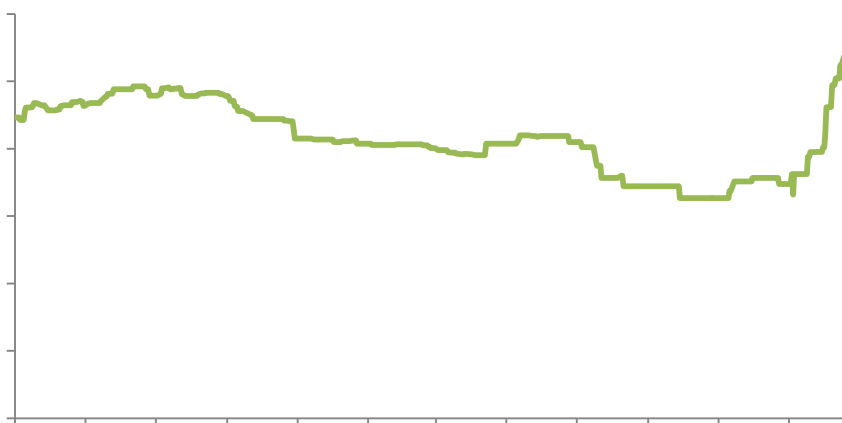
Maintain

Earnings revisions

	2016F	2017F	2018F
Revenue (HK\$m) - new	13,441	15,679	16,048
Old	13,952	16,092	N/A
Change	-3.7%	-2.6%	N/A
Gross profit (HK\$m) - new	3,923	4,937	5,087
Old	4,096	4,902	N/A
Change	-4.2%	0.7%	N/A
Net profit (HK\$m) - new	2,537	3,469	3,670
Old	2,669	3,406	N/A
Change	-5.0%	1.8%	N/A
EPS (HK Cents) - new	65.6	89.8	95.0
Old	68.1	86.9	N/A
Change	-3.6%	3.4%	N/A

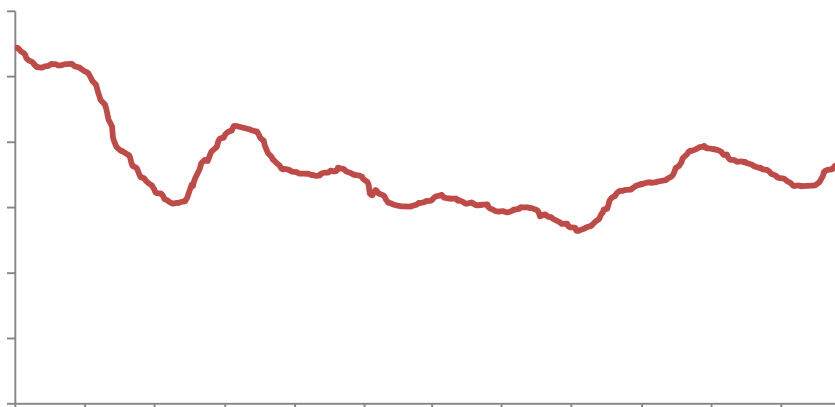
Source: Sunwah Kingsway Research estimates

Average China Soda Ash price for last 24 months



Source: Wind

National float glass price for last 24 months



Source: Wind

Soda ash and float glass prices are exhibiting favorable trends to XYG, but they are all in the price.

Financial forecasts

Years ended 31 Dec	2014A	2015A	2016F	2017F	2018F	Years ended 31 Dec	2014A	2015A	2016F	2017F	2018F
Income statement (HK\$m)						Ratios					
Revenue	10,861	11,460	13,441	15,679	16,048	Gross margin (%)	25.2	27.3	29.2	31.5	31.7
COGS	(8,128)	(8,328)	(9,518)	(10,742)	(10,960)	EBITDA margin (%)	19.7	25.4	25.3	27.3	27.8
Gross Profit	2,733	3,133	3,923	4,937	5,087	Net margin (%)	12.6	18.4	18.9	22.1	22.9
Other income	178	215	215	215	215	Selling & dist'n/Sales (%)	5.6	5.9	4.1	4.1	4.1
Other gains, net	220	379	0	0	0	Admin/Sales (%)	9.5	8.2	6.8	6.6	6.6
Selling & marketing costs	(608)	(680)	(544)	(635)	(650)	Payout ratio (%)					
Admin expense	(1,030)	(935)	(914)	(1,035)	(1,059)	Effective tax (%)	14.3	11.2	17.3	15.7	15.5
Gain on spin-off	0	0	0	0	0						
Operating profit	1,494	2,113	2,680	3,482	3,593	Total debt/equity (%)	48.8	47.4	47.0	39.7	31.1
Add back: Depreciation	612	763	719	796	872	Net debt/equity (%)	42.0	37.2	41.5	32.9	24.6
Add back: Amortization	32	32	0	0	0	Current ratio (x)	1.0	1.0	1.0	1.2	1.2
EBITDA	2,138	2,908	3,399	4,278	4,465	Quick ratio (x)	0.7	0.7	0.7	0.8	0.8
Depreciation & Amortization	(644)	(795)	(719)	(796)	(872)						
Finance income	53	40	11	10	13	Inventory T/O days	61	59	61	61	61
Finance costs	(91)	(90)	(116)	(120)	(114)	A/R T/O days	80	78	80	80	80
Share of PL of assos	138	317	491	744	853	A/P T/O days	84	90	84	84	84
Profit before tax	1,593	2,380	3,066	4,116	4,344	Working capital days	57	47	57	57	57
Income tax expense	(228)	(266)	(530)	(647)	(674)						
Profit for the year	1,365	2,114	2,537	3,469	3,670	Asset turnover (x)	0.52	0.53	0.57	0.60	0.56
Less: MI	(1)	(0)	0	0	0	Financial leverage (x)	1.71	1.68	1.70	1.61	1.51
Net profit	1,364	2,113	2,537	3,469	3,670	EBIT margin (%)	13.8	18.4	19.9	22.2	22.4
						Interest burden (x)	1.1	1.1	1.1	1.2	1.2
Basic EPS (HK Cents)	34.78	53.88	65.64	89.83	95.03	Tax burden (x)	0.86	0.89	0.83	0.84	0.84
Diluted EPS (HK Cents)	34.57	53.11	63.84	87.37	92.43	Return on equity (%)	11.1	16.6	18.4	21.2	19.4
Years ended 31 Dec	2014A	2015E	2016F	2017F	2018F	As at 31 Dec	2014A	2015A	2016F	2017F	2018F
Cash flow (HK\$m)						Balance Sheet (HK\$m)					
EBITDA	2,138	2,908	3,399	4,278	4,465	Leasehold land & land use rights	1,287	1,206	1,296	1,296	1,296
Non-cash adjustments	(220)	(331)	0	0	0	PPE	11,293	11,971	12,952	13,856	14,684
Changes in working capital	(202)	455	(569)	(546)	(139)	Investment properties	550	437	437	437	437
Operating cash	1,716	3,032	2,830	3,732	4,326	Prepmt for PPE & land use rights	624	172	247	247	247
Taxes paid	(154)	(305)	(569)	(686)	(713)	Intangible assets	79	75	77	77	77
Interest paid	(107)	(90)	(116)	(120)	(114)	Available for sale financial assets	120	85	86	86	86
Net cash from operations	1,455	2,637	2,146	2,926	3,499	Investment in asso	2,243	2,535	3,026	3,770	4,622
						Loans to an asso	34	29	54	54	54
Interest received	42	40	11	10	13	Non-current assets	16,229	16,510	18,174	19,822	21,503
CAPEX	(1,715)	(1,967)	(1,700)	(1,700)	(1,700)						
Disposals of assets	116	150	0	0	0	Inventories	1,478	1,223	1,535	1,889	2,249
Acquisition/disposal of subsidia	0	0	(295)	0	0	Loans to assos+amt due from assos	8	8	23	23	23
Change in non-demand deposits	(0)	(1)	0	0	0	Trade & other receivables	2,487	2,381	2,934	3,423	3,503
Advances to associates	(25)	0	0	0	0	Non-demand deposits	1	1	1	1	1
Dividends from associates	63	117	175	245	321	Cash & cash equiv.	831	1,298	754	1,104	1,222
Net change in investment proper	(14)	0	0	0	0	Current assets	4,805	4,911	5,248	6,440	6,999
Others	(44)	25	0	0	0						
Investing cash	(1,578)	(1,635)	(1,809)	(1,445)	(1,366)	Total assets	21,034	21,422	23,422	26,262	28,501
FCF	(123)	1,001	337	1,481	2,132	Amt due to asso	0	0	0	0	0
						Trade & other payables	1,978	1	De 0 0 1	245.545.52	209.511.55 2

Source: Company data, Sunwah Kingsway Research Estimates

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Head Office

Hong Kong
Kingsway Financial Services Group Limited
7/F, Tower One, Lippo Centre,
89 Queensway, Hong Kong
Tel: 852-2877-1830
Fax: 852-2877-2665

Affiliated & Overseas Offices

Canada
Kingsway Capital of Canada Inc.,
Suite 900, 10 King Street East,
Toronto, Ontario,
Canada M5C 1C3
Tel: 416-861-3099
Fax: 416-861-9027

China
Kingsway Financial Services Group Limited
Beijing Representative Office

Beijing Kingsway Financial Consultancy Limited
18/F, Block 1,
Henderson Centre,
18 Jianguomennei Street,
Dongcheng District, Beijing,
100005, PRC
Tel: 8610-6518-2813
Fax: 8610-6518-2448

Shanghai Kingsway Financial Consultancy Limited
2039, 20/F, Catic Building,
212 Jiangning Road, Jingan,
Shanghai, 200041 PRC
Tel: 8621-5049-0358
Fax: 8621-5049-0368

Shenzhen Kingsway Financial Consultancy Limited
701, Tower A,
Aerospace Skyscraper,
4019 Shennan Road,
Futian District, Shenzhen,
518048, PRC
Tel: 86-755-3333-6539
Fax: 86-755-3333-6536