Xinyi Glass (868 HK)

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XyG's

FY16 core net profit came in 2306 IF4 2f1(t)10()B><B1 m, 56.60 4% 94Y2 97.8 650.73 re W n 9T/F4 9.96 Tf 1 0 0 1 203.93 537.55 Tm g(b)9B>
that contribution from Xinyi Solar having arrived at 5% below our v r i i n <
assumption. The d TJETQ EMC /P <</MCID 147>> BDC T-3 <019A0190000 J m p 1 E

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	Unit	2H13	1H14	2H14	1H15	2H15	1H16	2H16
Revenue	HKD mn	5,362	5,034	5,827	5,283	6,177	5,885	6,963
%HoH	%	-	(6.1)	15.8	(9.3)	16.9	(4.7)	18.3
%YoY	%	-	-	8.7	4.9	6.0	11.4	12.7
Revenue by products								
Float glass	HKD mn	2,510	2,175	2,538	2,180	2,843	2,675	3,835
Construction glass	HKD mn	1,174	1,079	1,477	1,206	1,445	1,220	1,370
Automobile glass	HKD mn	1,679	1,781	1,813	1,897	1,890	1,990	1,758
%split								
Float glass	%	46.8	43.2	43.6	41.3	46.0	45.5	55.1
Construction glass	%	21.9	21.4	25.3	22.8	23.4	20.7	19.7
Automobile glass	%	31.3	35.4	31.1	35.9	30.6	33.8	25.2
Revenue by geographical								
China	HKD mn	3,648	3,482	4,161	3,588	4,470	4,061	5,359
US	HKD mn	580	498	790	632	712	766	530
Others	HKD mn	1,133	1,054	876	1,063	995	1,058	1,074
%split								
China	%	68.0	69.2	71.4	67.9	72.4	69.0	77.0
US	%	10.8	9.9	13.6	12.0	11.5	13.0	7.6
Others	%	21.1	20.9	15.0	20.1	16.1	18.0	15.4
Gross profit	HKD mn	1,666	1,337	1,396	1,410	1,723	2,041	2,618
%HoH	%	-	(19.7)	4.5	1.0	22.2	18.5	28.2
%YoY	%	-	-	(16.2)	5.5	23.4	44.8	52.0
GPM	%	31.1	26.6	24.0	26.7	27.9	34.7	37.6
GPM by products	%							
Float glass	%	19.8	8.6	5.6	8.7	12.9	22.3	31.2
Construction glass	%	38.8	37.0	34.1	31.7	35.6	39.0	40.6
Automobile glass	%	42.6	42.1	41.5	44.1	44.6	48.7	49.3
OP profit	HKD mn	2,545	844	650	944	1,168	1,304	2,034
%HoH	%	-	(66.8)	(23.0)	45.3	23.7	11.6	56.0
%YoY	%	-	-	(74.5)	11.9	79.7	38.1	74.1
Finance	HKD mn	(26)	(25)	(13)	(20)	(30)	(44)	(33)
%HoH	%	-	(2.5)	(46.9)	54.2	46.8	48.0	(26.3)
%YoY	%	-	-	(48.3)	(18.2)	126.4	117.4	9.1
Total net profit	HKD mn	2,241	762	603	946	1,167	1,369	1,847
%HoH	%	-	(66.0)	(20.9)	57.0	23.3	17.3	34.8
%YoY	%	-	-	(73.1)	24.2	93.6	44.7	58.2

Year end: Dec	2014	2015	2016	2017E	2018E
Revenue	10,861	11,460	12,848	14,773	15,770
COGS	(8,128)	(8,328)	(8,189)	(9,509)	(10,167)
Gross profit	2,733	3,133	4,659	5,264	5,603
Selling expenses	(608)	(680)	(620)	(713)	(761)
General and administrative	(1,030)	(935)	(1,202)	(1,382)	(1,476)
Other opex	398	594	501	506	540
EBITDA	**2,276**	**3,225**	**4,591**	**5,138**	**5,414**
Depreciation & Amortization	(644)	(795)	(691)	(790)	(825)
EBIT	**1,631**	**2,430**	**3,900**	**4,348**	**4,589**
Interest income	133	112	84	94	104
Interest expense	(171)	(163)	(161)	(180)	(189)
JVs and associates	138	317	563	674	682
Others	-	-	-	-	-
Pretax profit	**1,593**	**2,380**	**3,823**	**4,262**	**4,503**
Taxation	(228)	(266)	(607)	(639)	(675)
Minority interests	(1)	(0)	(3)	(3)	(3)
Net profit	**1,364**	**2,113**	**3,213**	**3,620**	**3,825**
Net profit (adjusted)	1,364	2,113	3,213	3,620	3,825
Basic EPS (RMB)	0.35	0.54	0.82	0.92	0.98
Diluted EPS (RMB)	0.35	0.54	0.82	0.92	0.98
DPS (RMB)	0.15	0.26	0.40	0.45	0.47

Year end: Dec	2014	2015	2016E	2017E	2018E
EBIT	**1,631**	**2,430**	**3,900**	**4,348**	**4,589**
Depreciation & amortisation	644	795	691	790	825
Net interest	38	50	77	86	86
Taxes paid	(228)	(266)	(607)	(639)	(675)
Changes in working capital	(202)	375	91	(251)	(110)
Others	(428)	(747)	(154)	(173)	(171)
Cash flow from operations	**1,455**	**2,637**	**3,998**	**4,161**	**4,543**
Capex	(1,691)	(1,834)	(1,853)	(3,966)	(1,500)
Acquisitions	(105)	(130)	-	-	-
Disposals	116	292	-	-	-
Others	103	152	-	-	-
Cash flow from investing	**(1,578)**	**(1,520)**	**(1,853)**	**(3,966)**	**(1,500)**
Dividends	(902)	(608)	(1,565)	(1,763)	(1,863)
Issue of shares	-	-	-	-	-
Change in debt	1,003	(18)	500	500	500
Others	(173)	1	-	-	-
Cash flow from financing	**(72)**	**(625)**	**(1,065)**	**(1,263)**	**(1,363)**
Change in cash	**(195)**	**492**	**1,080**	**(1,068)**	**1,681**
Free cash flow	(236)	802	2,145	195	3,043

Year end: Dec	2014	2015	2016	2017E	2018E
Cash	831	1,298	2,763	1,695	3,376
Short term investments	-	-	-	-	-
Accounts receivables	2,487	2,381	2,377	2,736	2,920
Inventory	1,478	1,223	1,321	1,477	1,579
Other current assets	9	93	76	76	76
Total current assets	**4,805**	**4,995**	**6,537**	**5,983**	**7,951**
PP&E	11,293	11,971	11,831	15,007	15,681
Intangible Assets	1,990	1,453	1,801	1,801	1,801
Total investments	2,793	2,972	3,804	3,804	3,804
Other long term assets	153	30	50	50	50
Total long term assets	**16,229**	**16,426**	**17,486**	**20,662**	**21,337**
TOTAL ASSETS	**21,034**	**21,422**	**24,022**	**26,645**	**29,287**
Short term debt	2,529	2,514	3,165	3,372	3,578
Accounts payables	1,978	2,112	2,297	2,560	2,737
Other current liabilities	294	333	538	538	538
Total current liabilities	**4,801**	**4,959**	**6,000**	**6,470**	**6,853**
Long term debt	3,483	3,514	4,509	4,803	5,097
Deferred tax	159	159	159	159	159
Bonds payable	-	-	-	-	-
Other long term liabilities	255	63	107	107	107
Total long term liabilities	**3,898**	**3,737**	**4,775**	**5,069**	**5,363**
TOTAL LIABILITIES	**8,699**	**8,696**	**10,775**	**11,539**	**12,216**
	12,333	12,718	13,181	15,038	17,000
Minority Interests	2	7	66	69	71
TOTAL LIAB AND EQUITY	**21,034**	**21,422**	**24,022**	**26,645**	**29,287**
Net cash / (debt)	(5,181)	(4,730)	(4,911)	(6,479)	(5,299)

Year end: Dec	2014	2015	2016E	2017E	2018E
Operating ratios					
Gross margin	25.2	27.3	36.3	35.6	35.5
EBITDA margin (%)	21.0	28.1	35.7	34.8	34.3
Effective tax rate (%)	14.3	11.2	15.9	15.0	15.0
Revenue growth (%)	9.3	5.5	12.1	15.0	6.7
Net income growth (%)	(61.3)	55.0	52.1	12.6	5.7
EPS growth adj (%)	(57.7)	54.9	52.1	12.6	5.7
DPS growth (%)	(78.0)	74.9	52.1	12.6	5.7
Efficency ratios					
ROE (%)	11.1	16.6	24.4	24.1	22.5
ROCE (%)	10.1	14.8	21.6	21.6	20.5
Asset turnover (x)	0.5	0.5	0.5	0.6	0.5
Op cash / EBIT (x)	0.9	1.1	1.0	1.0	1.0
Depreciation / CAPEX (x)	0.4	0.4	0.4	0.2	0.6
Accounts receivable days	79.7	77.5	67.6	63.2	65.4
Accounts payable days	83.6	89.6	98.3	93.2	95.1
Leverage ratios					
Net gearing (%)	42.0	37.2	37.3	43.1	31.2
Net debt / EBITDA (x)	2.3	1.5	1.1	1.3	1.0
Interest cover (x)	42.9	48.4	50.8	50.3	53.7
Current ratio (x)	1.0	1.0	1.1	0.9	1.2
Valuation					
PER (x)	20.7	13.4	8.8	7.8	7.4
EV/EBITDA (x)	14.9	10.3	7.2	6.8	6.2
PBR (x)	2.3	2.2	2.1	1.9	1.7
Dividend yield (x)	2.1	3.6	5.5	6.2	6.6

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The Benchmark: Hong Kong Hang Seng Index; Time Horizon: 12 months