J.P.Morgan

Xinyi Glass

Overweight

0868.HK, 868 HK

Price Target: HK$12.00

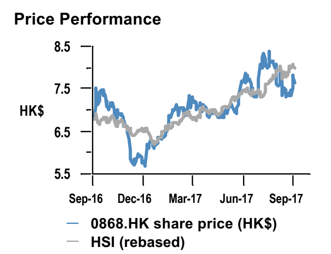
China

SMID-Caps

Leon Chik, CFA

Bloomberg

Christine Wang



Xinyi Glass (Reuters: 0868.HK, Bloomberg: 868 HK)

HK$ in mn, year-end Dec	FY15A	FY16A	FY17E	FY18E	FY19E
D					
%					
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Company Data
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See page 11 for analyst certification and important disclosures, including non-US analyst disclosures.

Key catalysts for the stock price:	Upside risks to our view:	Downside risks to our view:
[illegible]	[illegible]	[illegible]

Key financial metrics	FY16	FY17E	FY18E	FY19E
[illegible]				

Key model assumptions	FY16E	FY17E	FY18E	FY19E
[illegible]				

Valuation and price target basis

[illegible]

Sales growth and GPM trends

[illegible]

Sensitivity analysis	EBITDA		EPS	
	FY17E	FY18E	FY17E	FY18E
[illegible]				

JPMe vs. consensus, change in estimates

EPS (LC)	FY17E	FY18E
[illegible]		

Peer valuation comparison

Company Name	Code	Price (TP)	MCAP US$MM	Vol US$mn	3M Chg	P/E 17e (x)	PE 18e (x)	ROE (%)	P/B (x)	Yld (%)
[illegible]										
[illegible]										
[illegible]										
XINYI GLASS HOLD	**868 HK**	**7.6**	**3,911.1**	**11.4**	**5.0**	**7.2**	**6.3**	**24.8**	**1.6**	**5.2**
[illegible]										
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Average						**9.0**	**8.0**	**18.3**	**1.5**	**4.3**

Minor adjustment to 2018 sales and profits

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Table 1: Earnings Revisions

	---------------- New -------------	---	---------------- Old -------------	---	---------------- Change -------------	---
Year to Dec (HKDm)	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
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	T 1	2	2. 3	1	% 3	% 3 3
2	1	2	2.		% 0	% 0 0
. 1 D .2 1 1 .	1	. 1 10	2.		% 0	% 0
Assumptions						
ss m . . %	. % 1	. %	% 3 0		% 3 1	% 3 0 3 0

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Management positive on float glass demand. i i i
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More aggressive float glass expansion.

Expansion in Malaysia going well.

- **Auto glass is still weaker than expected.**

- **Construction glass hampered by FX.**

DCF valuation

Table 2: XYG – base-case DCF analysis

HK$ in millions, year-end Dec	2018E	2019E	2020E	2021E	2022E	2023E	2024E	Terminal
Cash flow estimates								
D								
Free operating CF (FoCF)	84	82	959	2,217	2,558	2,502	3,601	4,448
DCF Parameters			Assumptions					
%								
Enterprise NPV (10-16E)	53,679							
= Equity value	47,511							
= Equity value per share (HK$)	12.0							

Table 3: XYG – Sensitivity analysis

		Terminal growth rate						
		0.5%	1%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC	9.8%							
	10.3%							
	10.8%			12.6	13.2	13.8		
	11.3%			11.8	12.3	12.8		
	11.8%			11.1	11.5	12		
	12.3%							
	12.8%							

Table 4: XYG – Revenue mix

HK$ MM, year-end 31Dec	2015	2016	2017E	2018E	2019E

Table 6: Interim estimates

Year to Dec (HK$ MM)	1H17	2H17E	1H18E	2H18E	1H19E	2H19E
D						
Ratios						
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Table 7: XYG – Balance sheet

Year-end 31Dec (HK$MM)	2015	2016	2017E	2018E	2019E
Total Assets	**21,422**	**24,022**	**28,308**	**31,536**	**35,031**
D					
Total Liabilities and Equity	**21,422**	**24,022**	**28,308**	**31,536**	**35,031**

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Table 8: XYG – Cash flow statement

Year-end 31Dec (HK$ MM)	2015	2016	2017E	2018E	2019E
D					
Free Cash Flow	1,117	693	825	1,963	2,610
D					
Cash at end	1,298	2,763	1,775	1,515	1,604

Xinyi Glass

Investment Thesis

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Valuation

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Risks to Rating and Price Target

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Xinyi Glass: Summary of Financials

Income Statement	FY15A	FY16A	FY17E	FY18E	FY19E
Revenue	11,460	12,848	15,177	17,721	20,021
/	%	%	%	8 %	%
Adj. EBITDA	2,528	3,991	4,916	5,624	6,343
/	8 %	%	%	%	8 %
D					
Adj. EBIT	1,733	3,178	3,994	4,573	5,185
Adj. PBT	2,379	3,823	4,935	5,585	6,224
Adj. Net Income	2,113	3,216	4,244	4,859	5,414
Adj. EPS	0.54	0.80	1.06	1.21	1.35
/	8 %	8 %	%	%	%
DPS	0.27	0.40	0.53	0.61	0.68

Balance Sheet	FY15A	FY16A	FY17E	FY18E	FY19E
Current assets	4,995	6,537	8,302	9,669	11,306
Total assets	21,422	24,022	28,308	31,536	35,031
Current liabilities	4,959	6,000	6,262	7,009	7,749
Total liabilities	8,696	10,775	11,472	12,271	13,058
Total liabilities & equity	21,422	24,022	28,308	31,536	35,031
BVPS	3.25	3.29	4.19	4.80	5.47
/	%	%	%	%	%

Cash Flow Statement	FY15A	FY16A	FY17E	FY18E	FY19E
Cash flow from operating activities	2,838	3,739	3,995	4,611	5,360
D					
Cash flow from investing activities	(1,671)	(2,969)	(3,156)	(2,592)	(2,685)
%	%	%	%	%	%
Cash flow from financing activities	(650)	772	(1,813)	(2,223)	(2,521)
D					

Ratio Analysis	FY15A	FY16A	FY17E	FY18E	FY19E
D					

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Analyst Certification:

Coverage Universe: Chik, Leon i i i
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J.P. Morgan Equity Research Ratings Distribution, as of July 03, 2017

	Overweight	Neutral	Underweight
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Equity Valuation and Risks: i i i i i i
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Equity Analysts' Compensation: i i i i i i
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Registration of non-US Analysts: i i i
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Other Disclosures

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Options related research: i i i i i i i i i
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Legal Entities Disclosures
U.S i i **U.K**
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South Africa i i i i i i i i i
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India:

Thailand

Indonesia

Philippines

Brazil

Mexico

Singapore:

Japan

Malaysia

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Pakistan

Saudi Arabia

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Country and Region Specific Disclosures

U.K. and European Economic Area (EEA):

Australia:

Germany:

Hong Kong:

Korea:

Singapore:

Taiwan

India:

Pakistan:

New Zealand:

Canada:

J.P.Morgan

Dubai:

Brazil

General: