Xinyi Glass

2018 results mixed, but operations remain solid

- Xinyi Glass’s (XYG) 2018 results were in line with our expectations but turnover growth was slower than expected, dragged down mainly by the float glass division.
- Management’s tone on the outlook for float glass segment was somewhat neutral; it expects the supply/demand dynamic in 2019 to be similar to that of 2018. XYG will optimize its products mix to enhance overall profitability.
- We believe that expectations for the growth outlook for XYG have been re-set ti

Figure 1: Key assumptions

	2012	2013	2014	2015	2016	2017	2018	2019F	2020F
Turnover (HKDm)									
Automobile glass	3,077.8	3,287.2	3,593.2	3,786.6	3,748.4	3,910.0	4,251.9	4,748.9	5,304.2
Construction glass	1,574.6	2,154.5	2,555.5	2,651.5	2,590.2	2,800.6	3,383.2	3,907.6	4,513.3
Float glass	3,780.6	4,494.3	4,712.4	5,022.2	6,509.8	8,016.9	8,379.4	9,502.2	10,775.5
Total	8,433.0	9,936.1	10,861.1	11,460.3	12,848.4	14,727.5	16,014.5	18,158.8	20,593.0
YoY Change (%)									
Automobile glass		6.8	9.3	5.4	(1.0)	4.3	8.7	11.7	11.7
Construction glass		36.8	18.6	3.8	(2.3)	8.1	20.8	15.5	15.5
Float glass		18.9	4.9	6.6	29.6	23.2	4.5	13.4	13.4
Total		17.8	9.3	5.5	12.1	14.6	8.7	13.4	13.4
Volume									
Automobile (piece)		12,110.0	12,889.0	13,582.8	13,582.8	13,786.6	14,338.0	15,054.9	15,807.7
Construction(sqm)		16,363.0	19,380.0	20,107.5	21,716.1	20,630.3	22,693.3	24,962.7	27,458.9
Float glass (tonne)		2,927.0	3,510.0	3,856.8	4,435.3	4,790.1	4,908.5	5,301.2	5,725.3
YoY Change (%)									
Automobile (piece)			6.4	5.4	0	1.5	4.0	5.0	5.0
Construction(sqm)			18.4	3.8	8.0	(5.0)	10.0	10.0	10.0
Float glass (tonne)			19.9	9.9	15.0	8.0	2.5	8.0	8.0
ASP									
Automobile (HKD/piece)		271.4	278.8	278.8	276.0	278.8	296.5	315.4	335.5
Construction (HKD per sqm)		131.7	131.9	131.9	119.3	135.8	149.1	156.5	164.4
Float glass (HKD per tone)		1,535.5	1,342.6	1,302.2	1,467.7	1,673.6	1,707.1	1,792.5	1,882.1
YoY Change (%)									
Automobile (HKD/piece)			2.7	0.0	(1.0)	1.0	6.4	6.4	6.4
Construction (HKD per sqm)			0.1	0	(9.5)	13.8	9.8	5.0	5.0
Float glass (HKD per tone)			(12.6)	(3.0)	12.7	14.0	2.0	5.0	5.0
Gross margin (%)									
Automobile glass	42.8	43.3	41.8	44.3	49.0	46.9	43.9	44.9	45.9
Construction glass	37.2	39.9	35.3	33.9	39.9	38.0	37.8	37.8	37.8
Float glass	8.6	19.0	7.0	11.1	27.5	31.7	32.6	32.6	32.6
Blended	26.4	31.6	25.2	27.3	36.3	37.0	36.7	36.9	37.2
Net margin (%)	14.1	35.4	12.6	18.4	25.0	27.3	26.5	26.0	26.0
Cost (HKDm)									
S,G&A	(1,056.7)	(1,250.9)	(1,638.0)	(1,614.5)	(1,822.4)	(2,045.1)	(2,407.0)	(2,674.9)	(3,033.4)
Financial Expenses	(57.3)	(59.7)	(38.1)	(50.2)	(76.8)	(106.5)	(142.5)	(163.9)	(155.8)
YoY Change (%)									
S,G&A		18.4	30.9	(1.4)	12.9	12.2	17.7	11.1	13.4
Financial Expenses		4.2	(36.2)	32.0	53.0	38.6	33.8	15.0	(4.9)
CAPEX (HKDm)	1,435.3	3,752.3	2,092.0	1,701.4	1,756.5	3,195.4	2,453.0	2,500.0	2,500.0
Net Gearing (%)	35.8	33.6	42.0	37.2	37.3	29.7	29.0	28.7	27.3

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

Building Materials Hong Kong
Xinyi Glass

BY THE NUMBERS… cont'd

Balance Sheet

(HK$m)	Dec-16A	Dec-17A	Dec-18A	Dec-19F	Dec-20F
Total Cash And Equivalents	2,763	3,049	4,599	5,121	4,848
Total Debtors	2,377	3,072	2,676	3,023	3,415
Inventories	1,321	1,698	1,755	1,982	2,240
Total Other Current Assets	76	107	94	94	94
Total Current Assets	**6,537**	**7,926**	**9,123**	**10,220**	**10,597**
Fixed Assets	11,831	12,929	13,080	14,584	15,968
Total Investments	4,975	9,074	10,100	10,710	11,454
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	680	370	298	307	304
Total Non-current Assets	**17,486**	**22,373**	**23,477**	**25,601**	**27,725**
Short-term Debt	3,165	2,068	3,094	3,094	3,094
Current Portion of Long-Term Debt					
Total Creditors	2,297	2,554	2,897	3,273	3,698
Other Current Liabilities	538	535	611	611	611
Total Current Liabilities	**6,000**	**5,157**	**6,603**	**6,978**	**7,404**
Total Long-term Debt	4,509	6,399	6,875	7,875	7,875
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	48	108	82	82	82
Total Non-current Liabilities	**4,557**	**6,507**	**6,957**	**7,957**	**7,957**
Total Provisions	218	335	418	418	418
Total Liabilities	**10,775**	**11,999**	**13,977**	**15,353**	**15,778**
Shareholders' Equity	13,181	18,231	18,545	20,380	22,446
Minority Interests	66	69	78	88	99
Total Equity	**13,247**	**18,300**	**18,623**	**20,468**	**22,545**

Key Ratios

	Dec-16A	Dec-17A	Dec-18A	Dec-19F	Dec-20F
Revenue Growth	12.1%	14.6%	8.7%	13.4%	13.4%
Operating EBITDA Growth	61.2%	19.5%	0.2%	14.8%	14.1%
Operating EBITDA Margin	28.5%	29.7%	27.4%	27.7%	27.9%
Net Cash Per Share (HK$)	(1.27)	(1.37)	(1.34)	(1.46)	(1.53)
BVPS (HK$)	3.40	4.59	4.64	5.10	5.62
Gross Interest Cover	22.22	22.49	16.23	17.14	19.64
Effective Tax Rate	15.9%	14.5%	14.5%	14.5%	14.5%
Net Dividend Payout Ratio	48.3%	47.5%	48.9%	49.0%	49.0%
Accounts Receivables Days	67.77	67.52	65.50	57.27	57.21
Inventory Days	63.17	66.28	68.29	65.22	65.34
Accounts Payables Days	109.5	106.5	107.8	107.7	107.9
ROIC (%)	21.1%	25.3%	23.0%	28.0%	28.7%
ROCE (%)	14.4%	14.3%	12.6%	13.5%	14.3%
Return On Average Assets	14.5%	15.2%	14.0%	14.3%	15.1%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

BUY	:	share price will increase by >20% within 12 months in absolute terms
SELL	:	share price will decrease by >20% within 12 months in absolute terms
HOLD	:	no clear catalyst, and downgraded from BUY pending clearer signal to reinstate BUY or further downgrade to outright SELL

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