Company Update
16 Mar 2016

Xinyi Glass

868.HK / 868 HK

BUY

Maintain

China

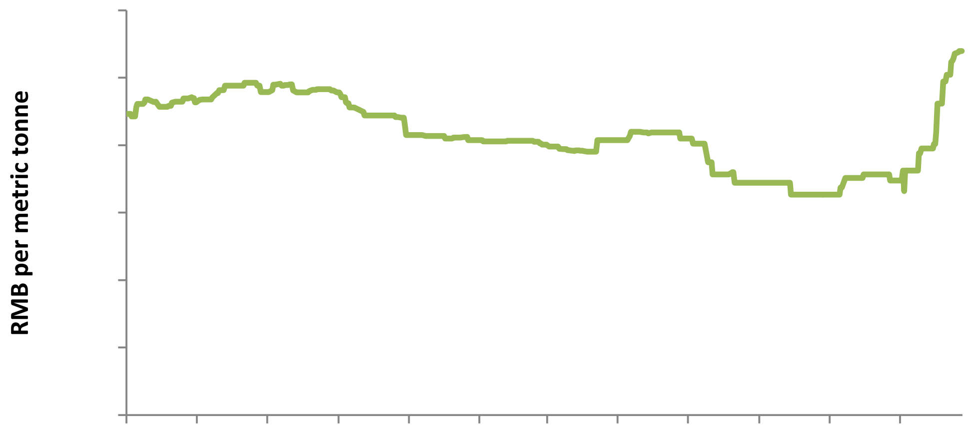
Auto parts / Construction m

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*

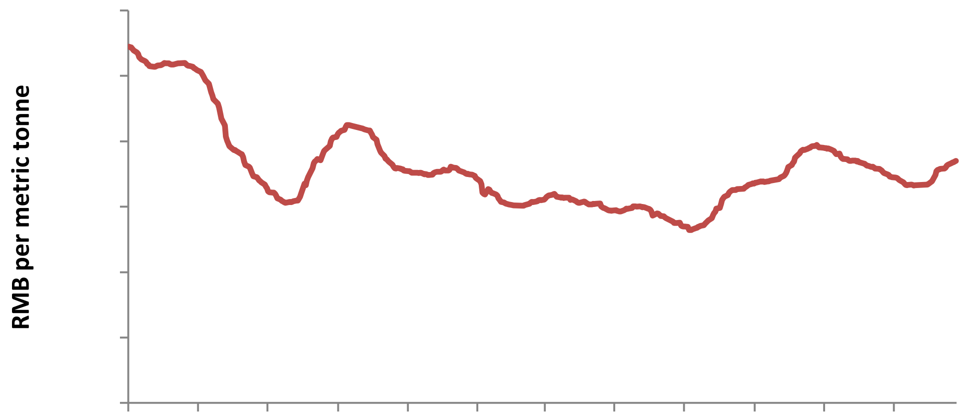
Source: Sunwah Kingsway Research estimates

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
Income statement (HK$'m)					
Revenue	**10,861**	**11,460**	**13,441**	**15,679**	**16,048**
COGS	(8,128)	(8,328)	(9,518)	(10,742)	(10,960)
Gross Profit	2,733	3,133	3,923	4,937	5,087
Other income	178	215	215	215	215
Other gains, net	220	379	0	0	0
Selling & marketing costs	(608)	(680)	(544)	(635)	(650)
Admin expense	(1,030)	(935)	(914)	(1,035)	(1,059)
Gain on spin-off	0	0	0	0	0
Operating profit	**1,494**	**2,113**	**2,680**	**3,482**	**3,593**
Add back: Depreciation	612	763	719	796	872
Add back: Amortization	32	32	0	0	0
EBITDA	**2,138**	**2,908**	**3,399**	**4,278**	**4,465**
Depreciation & Amortization	(644)	(795)	(719)	(796)	(872)
Finance income	53	40	11	10	13
Finance costs	(91)	(90)	(116)	(120)	(114)
Share of P/L of assos	138	317	491	744	853
Profit before tax	1,593	2,380	3,066	4,116	4,344
Income tax expense	(228)	(266)	(530)	(647)	(674)
Profit for the year	**1,365**	**2,114**	**2,537**	**3,469**	**3,670**
Less: MI	(1)	(0)	0	0	0
Net profit	**1,364**	**2,113**	**2,537**	**3,469**	**3,670**
Basic EPS (HK Cents)	34.78	53.88	65.64	89.83	95.03
Diluted EPS (HK Cents)	34.57	53.11	63.84	87.37	92.43

Years ended 31 Dec	2014A	2015A	2016F	2017F	2018F
Ratios					
Gross margin (%)	25.2	27.3	29.2	31.5	31.7
EBITDA margin (%)	19.7	25.4	25.3	27.3	27.8
Net margin (%)	12.6	18.4	18.9	22.1	22.9
Selling & dist'n/Sales (%)	5.6	5.9	4.1	4.1	4.1
Admin/Sales (%)	9.5	8.2	6.8	6.6	6.6
Payout ratio (%)					
Effective tax (%)	14.3	11.2	17.3	15.7	15.5
Total debt/equity (%)	48.8	47.4	47.0	39.7	31.1
Net debt/equity (%)	42.0	37.2	41.5	32.9	24.6
Current ratio (x)	1.0	1.0	1.0	1.2	1.2
Quick ratio (x)	0.7	0.7	0.7	0.8	0.8
Inventory T/O days	61	59	61	61	61
A/R T/O days	80	78	80	80	80
A/P T/O days	84	90	84	84	84
Working capital days	57	47	57	57	57
Asset turnover (x)	0.52	0.53	0.57	0.60	0.56
Financial leverge (x)	1.71	1.68	1.70	1.61	1.51
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
Tax burden (x)	0.86	0.89	0.83	0.84	0.84
Return on equity (%)	**11.1**	**16.6**	**18.4**	**21.2**	**19.4**

Years ended 31 Dec	2014A	2015E	2016F	2017F	2018F
Cash flow (HK$'m)					
EBITDA	2,138	2,908	3,399	4,278	4,465
Non-cash adjustments	(220)	(331)	0	0	0
Changes in working capital	(202)	455	(569)	(546)	(139)
Operating cash	**1,716**	**3,032**	**2,830**	**3,732**	**4,326**
Taxes paid	(154)	(305)	(569)	(686)	(713)
Interest paid	(107)	(90)	(116)	(120)	(114)
Net cash from operations	**1,455**	**2,637**	**2,146**	**2,926**	**3,499**
Interest received	42	40	11	10	13
CAPEX	(1,715)	(1,967)	(1,700)	(1,700)	(1,700)
Disposals of assets	116	150	0	0	0
Acquisition/disposal of subsidiai	0	0	(295)	0	0
Change in non-demand deposits	(0)	(1)	0	0	0
Advances to associates	(25)	0	0	0	0
Dividends from associates	63	117	175	245	321
Net change in investment propei	(14)	0	0	0	0
Others	(44)	25	0	0	0
Investing cash	**(1,578)**	**(1,635)**	**(1,809)**	**(1,445)**	**(1,366)**
FCF	**(123)**	**1,001**	**337**	**1,481**	**2,132**

As at 31 Dec	2014A	2015A	2016F	2017F	2018F
Balance Sheet (HK$'m)					
Leasehold land & land use rights	1,287	1,206	1,296	1,296	1,296
PPE	11,293	11,971	12,952	13,856	14,684
Investment properties	550	437	437	437	437
Prepmt for PPE & land use rights	624	172	247	247	247
Intangible assets	79	75	77	77	77
Available for sale financial assets	120	85	86	86	86
Investment in asso	2,243	2,535	3,026	3,770	4,622
Loans to an asso	34	29	54	54	54
Non-current assets	**16,229**	**16,510**	**18,174**	**19,822**	**21,503**
Inventories	1,478	1,223	1,535	1,889	2,249
Loans to assos+amt due from assos	8	8	23	23	23
Trade & other receivables	2,487	2,381	2,934	3,423	3,503
Non-demand deposits	1	1	1	1	1
Cash & cash equiv.	831	1,298	754	1,104	1,222
Current assets	**4,805**	**4,911**	**5,248**	**6,440**	**6,999**
Total assets	**21,034**	**21,422**	**23,422**	**26,262**	**28,501**
Amt due to asso	0	0	0	0	0
Trade & other payables	1,978	7F			

Source: Company data, Sunwah Kingsway Research Estimates

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