

## Xinyi Solar

Lifting PT to HK\$3.1 - FY14 net profits up 62% even in a weak market

Xinyi Solar (XYS) is the largest maker of solar cover glass in the world, with over a 20% global market share. FY14 sales reported 22.5% y/y increase. Overall NP reported 62.3% y/y increase. The key positive surprise is that margins on solar glass held up quite well in 2H14 despite weak demand and higher cost for natural gas. This is a testament to the cost advantage and pricing power for the core solar glass business. Maintain OW with a higher PT of HK\$3.1.

- 2015 is a high growth year.** We estimate over 120% sales and over 150% EPS growth for FY15 driven by a near doubling of solar glass capacity since the beginning of 2014 as well as contribution of downstream businesses in 2015 which was negligible in 2014. XYS will also be investing heavily in downstream solar farm projects and we expect a net debt to equity of nearly 60% by end of 2015.
- Minor changes to estimates and PT.** As the FY14 results were fairly close to our estimates, we have not made significant changes to our FY15 and FY16 figures. Our FY15 and FY16 EPS is 24% and 33% ahead of consensus (Bloomberg) and we believe that the main reasons include our assumption on a rapid rollout of operational solar farm capacity to 800 MW by the end of 2015 and also inclusion of significant sales and earnings from EPC solar operations.
- Price, valuation and risks.** Our PT (Dec-15, DCF-derived) of HK\$3.1 (WACC 9.5% and 4% terminal growth) implies a forward P/E of 10.47x (CY16E). The key downside risks to our PT are slower-than-expected recovery in global demand and delays in solar panel approvals in China. Higher cost of natural gas is a key risk to margins.

## Overweight

0968.HK, 968 HK

Price: HK\$2.37

▲ **Price Target: HK\$3.10**  
Previous: HK\$3.00

### China

#### SMID-Caps

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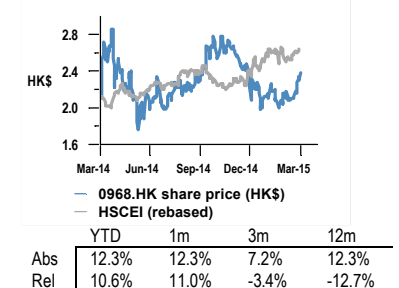
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### Price Performance



### Xinyi Solar (Reuters: 0968.HK, Bloomberg: 968 HK)

HK\$ in mn, year-end Dec	FY12A	FY13A	FY14E	FY15E	FY16E
Revenue (HK\$ mn)	1,533	1,968	2,410	5,466	7,363
Net Profit (HK\$ mn)	119	304	480	1,193	1,621
EPS (HK\$)	0.03	0.07	0.08	0.20	0.27
DPS (HK\$)	0.00	0.02	0.02	0.06	0.08
Revenue growth (%)	24.3%	28.3%	22.5%	126.8%	34.7%
EPS growth (%)	(63.0%)	115.7%	11.7%	139.2%	35.9%
ROCE	11.9%	17.9%	14.7%	19.4%	17.5%
ROE	12.0%	18.0%	17.6%	32.0%	30.5%
P/E (x)	69.7	32.3	28.9	12.1	8.9
P/BV (x)	7.8	5.8	4.4	3.5	2.4
EV/EBITDA (x)	59.8	30.5	22.2	9.7	7.2
Dividend Yield	0.0%	0.8%	1.0%	2.4%	3.2%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data	
Shares O/S (mn)	6,080
Market Cap (HK\$ mn)	14,410
Market Cap (\$ mn)	1,858
Price (HK\$)	2.37
Date Of Price	02 Mar 15
Free Float(%)	-
3M - Avg daily vol (mn)	16.77
3M - Avg daily val (HK\$ mn)	36.32
3M - Avg daily val (\$ mn)	4.7
HSCEI	1,2185.85
Exchange Rate	7.76
Price Target End Date	31-Dec-15

See page 11 for analyst certification and important disclosures, including non-US analyst disclosures.

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<p><b>Key catalyst for the stock price:</b></p> <ul style="list-style-type: none"> <li>China announced a new rebate of Rmb0.42 per KWH for solar power in Aug 13 that should boost 2014 demand</li> <li>New downstream business (installing rooftop panels) is an upcoming growth driver</li> </ul>	<p><b>Upside risks to our view:</b></p> <ul style="list-style-type: none"> <li>The margins for solar glass recover faster than expected. Our current GPM for 2014 is well below the peak GPM of over 50% achieved in 2010</li> <li>The announcement of new downstream projects is faster than our expectation (currently 200MW assumed each year starting 2014)</li> </ul>	<p><b>Downside risks to our view:</b></p> <ul style="list-style-type: none"> <li>Demand from Europe (still a third of total global) recovers slower than expected due to the economy or due to governments not subsidizing solar energy due to public deficits.</li> <li>Cost of gas (largest cost at nearly 40%) continues to rise as this is a long term policy of the Chinese government to liberalize energy prices</li> <li>New capacity in solar glass is built by competitors that could pressure prices</li> </ul>
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Key financial metrics	FY13	FY14E	FY15E	FY16E
Revenues (LC)	1,968	2,410	5,466	7,363
Revenue growth (%)	28.3%	22.5%	126.8%	34.7%
EBITDA (LC)	465	687	1,779	2,510
EBITDA margin (%)	23.6%	28.5%	32.5%	34.1%
Tax rate (%)	18%	14%	14%	15%
Net profit (LC)	304	493	1,237	1,671
EPS (LC)	0.073	0.084	0.203	0.274
EPS growth (%)	156%	62%	151%	35%
DPS (LC)	0.018	0.024	0.058	0.078
BVPS (LC)	0.41	0.54	0.69	1.00
Operating cash flow (LC mn)	556	708	2,540	1,863
Free cash flow (LC mn)	261	(1,706)	(1,448)	(1,548)
Interest cover (X)	-211	117	40	25
Net margin (%)	15.4%	20.5%	22.6%	22.7%
Sales/assets (X)	0.73	0.42	0.48	0.51
Debt/equity (%)	15.8%	73.8%	170.5%	121.8%
Net debt/equity (%)	NC	23%	60%	52%
ROE (%)	18%	18%	33%	31%

Key model assumptions	FY15E	FY16E
Capacity (Raw PV) (tons/day)	3800	4700
MW of solar power owned	800	1300
ASP processed glass(HK\$/ton)	4774	4726

Source: Bloomberg, Company and J.P. Morgan estimates.

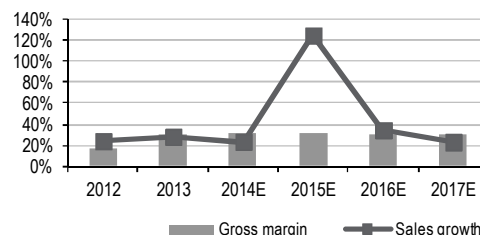
Sensitivity analysis	EBITDA		EPS	
	FY15E	FY16E	FY15E	FY16E
1% chg in ASP	3.7%	3.6%	4.4%	4.4%
1% chg in volume	0.9%	0.9%	1.3%	1.3%
1% inc in gas cost	-0.4%	-0.3%	-0.6%	-0.5%

Source: J.P. Morgan estimates.

#### Valuation and price target basis

Our price target is based on DCF methodology. The nature of the industry leads us to apply a terminal growth of 4.0% (near the middle of the 3 to 6% growth rate used for SMID Caps).

#### Sales growth and GPM trends



Source: Bloomberg, Company and J.P. Morgan estimates.

#### JPMe vs. consensus, change in estimates

EPS	FY15E	FY16E
JPMe old	0.201	0.272
JPMe new	0.203	0.274
% chg	0.8%	1.0%
Consensus	0.164	0.206

Source: Bloomberg, J.P. Morgan estimates.

Company Name	Price (TP)	MCAP US\$MM	Vol US\$m	1W Chg	3M Chg	P/E 14E (x)	PE 15E (x)	ROE (%)	P/B (x)	Yid (%)	
XINYI GLASS HOLD (OW)*	868 HK	4.55 (6.7)	2,288	4.5	4.6	10.4	10.8	7.0	13.0	1.5	4.2
XINYI SOLAR HOLD (OW)*	968 HK	2.37 (3.1)	1,847	7.8	9.2	7.2	28.1	11.7	18.0	4.4	1.0
CHINA SINGYES SO (NC)	750 HK	10.28	923	3.7	1.8	(17.1)	8.8	6.8	22.4	2.1	1.2
CSG HOLDING CO-B (NC)	200012 CH	5.80	2,504	1.2	(0.5)	1.0	8.0	7.6	12.8	1.2	na
<b>Average</b>							<b>10.9</b>	<b>8.9</b>	<b>17.7</b>	<b>2.1</b>	<b>2.0</b>

Source: Company data, Bloomberg estimates for Not Covered (NC) companies, J.P. Morgan estimates (\*). Share prices are as of close of Mar 02, 2015

## Highlights from analyst briefing

- **More aggressive rollout of solar farms**

Management mentioned a total capital expenditure of approx HK\$4bn for 2015 which is about 10% higher than our previous expectation. We believe that the bulk of the capital expenditures (HK\$3.0 to HK\$3.2bn) would be to build solar farms that XYS would own and operate with the remainder split evenly between capex for solar glass production in China and in Malaysia. We maintain our expectations that XYS would have 800 MW of operational solar farms by the end of 2015 but they may be a little quicker building solar farms (to commence operations in 2016) than we previously expected.

- **XYS is taking share in solar glass.**

Management mentioned that the margins in 2HFY14 (and probably 1HFY15) would be slightly negatively impacted by the new lines of production that XYS has launched (3Q14 and 1Q15) but that there are not much new capacity being brought on by other peers in China. We do note that the relatively flat margins in 2HFY14 compared to 1HFY14 (30-31%) is an impressive achievement given a sluggish demand for solar modules in 2HFY14 as well as the new capacity that XYS has ramped up (900 tons per day) starting 3QFY14. We maintain our view that the cost for XYS is lower than peers in China and XYS has a solid reputation in the industry to demand higher selling prices than the industry average. This allows for XYS to achieve respectable GPM while other peers are struggling to break even.

- **Natural gas price cuts beneficial for XYS.**

Over the weekend the NDRC announced natural gas cuts of 10-15% for incremental gas supply. Management noted that solar glass production is under a high ramp up period so a large portion of the gas usage is considered incremental gas eligible for the maximum cost cuts. Management expects the strong demand for solar glass may give the company some opportunity to benefit from the lower cost of production. Demand is currently quite strong for solar glass as most rooftop module demand had been delayed in 2014 until 2015 as most customers waited for clarification of government policies towards rooftop to grid power supply which was clarified in Nov 2014 with policies that are quite bullish for distributed rooftop module demand in 2015 compared to very poor demand in 2014.

## Results Summary

Interim results (HKDm)	FY13	FY14A	Growth	FY14E	Variance
Turnover	1,968	2410	22.5%	2,435	-1.0%
Gross profit	592	761	28.5%	780	-2.4%
GPM	30.1%	31.6%	4.9%	32.0%	-1.4%
EBIT	369	577	56.5%	582	-0.9%
EBITM	18.7%	23.9%	27.8%	23.9%	
Net profit	304	493	62.3%	488	1.0%
NPM	15.4%	20.5%	32.5%	20.0%	
EPS (HKD)	0.073	0.0842	14.9%	0.083	1.4%

Source: J.P. Morgan estimates; Company data.

FY14 sales reported 22.5% y/y increase thanks to the sales of solar glass products and solar power electricity generation and is roughly flat with our estimation (1% lower). Overall NP reported 62.3% y/y increase and 1% higher than our estimation. There are no reliable 1H14 consensus estimates but our full-year 2014 net profit estimate is 0.8% below consensus.

### Net profits revised up by 0.8% for FY15E and 1% for FY16E

Year to June (HK\$ m)	----- New -----		----- Old -----		----- Chg -----	
	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Turnover	5,466	7,363	5,466	7,363	0.0%	0.0%
Gross profit	1,668	2,204	1,721	2,265	-3.1%	-2.7%
EBIT	1,477	2,040	1,492	2,057	-1.0%	-0.8%
Net profit	1,237	1,671	1,227	1,654	0.8%	1.0%
EPS	0.203	0.274	0.201	0.272	0.8%	1.0%
<b>Assumptions</b>						
Gross margin	30.5%	29.9%	31.5%	30.8%	-1.0%	-0.8%

Source: J.P. Morgan estimates.

As the FY14 results were fairly close to our estimates, we have not made significant changes in our FY15 and FY16 figures, only 0.8% and 1.0% rise in FY15E and FY16E net profit.

Our DCF-based Dec-15 share price target is set at HK\$3.1 (previously Dec 15 PT of HK\$3.0) due to the earnings revisions.



Table 3: XYG – Revenue mix

HK\$ MM, year-end 31Dec	2012	2013	2014	2015E	2016E	2017E
PV raw glass	442	562	237	728	896	1,396
YoY	14.9%	27.2%	-57.8%	207.1%	23.1%	55.8%
% of total	29%	29%	10%	13%	12%	15%
PV processed glass	852	1,405	2,142	2,835	3,189	3,418
YoY	6.2%	64.9%	52.5%	32.3%	12.5%	7.2%
% of total	56%	71%	89%	52%	43%	38%
Solar projects owned		-	31	778	1,279	1,589
YoY				na	na	na
% of total			1%	14%	17%	17%
Solar construction (EPC)			-	1,125	2,000	2,688
YoY				na	na	na
% of total			0%	21%	27%	30%
TCO and others	240	1	-	-	-	-
YoY	na	na				
% of total	16%	0%	0%	0%	0%	0%
<b>Total</b>	<b>1,533</b>	<b>1,968</b>	<b>2,410</b>	<b>5,466</b>	<b>7,363</b>	<b>9,090</b>

Source: Company data, J.P. Morgan estimates.

Table 4: XYG – P&L statement

Year-end 31Dec (HK\$MM)	2012	2013	2014	2015E	2016E	2017E
<b>Total Revenues</b>	<b>1,533</b>	<b>1,968</b>	<b>2,410</b>	<b>5,466</b>	<b>7,363</b>	<b>9,090</b>
YoY change (%)	24.3%	28.3%	22.5%	126.8%	34.7%	23.5%
Cost of Goods Sold	(1,270)	(1,375)	(1,649)	(3,797)	(5,159)	(6,447)
YoY change (%)	60.5%	8.3%	19.9%	130.3%	35.9%	25.0%
Gross Profit	263	592	760	1,668	2,204	2,643
YoY change (%)	-40.5%	125.1%	28.4%	119.4%	32.1%	19.9%
Gross Margin	17.2%	30.1%	31.6%	30.5%	29.9%	29.1%
SGA	(164)	(287)	(259)	(334)	(357)	(392)
YoY change (%)	44.3%	74.6%	-9.7%	29.1%	6.9%	9.9%
Other Income/(Expenses)	43	63	87	143	192	238
Operating profit	142	369	589	1,477	2,040	2,488
<b>EBITDA</b>	<b>241</b>	<b>465</b>	<b>687</b>	<b>1,779</b>	<b>2,510</b>	<b>3,124</b>
EBITDA margin	15.7%	23.6%	28.5%	32.5%	34.1%	34.4%
Depreciation & Amortization	(99)	(97)	(97)	(302)	(470)	(636)
YoY change (%)	61.3%	-2.7%	0.8%	209.8%	56.0%	35.2%
<b>EBIT</b>	<b>142</b>	<b>369</b>	<b>589</b>	<b>1,477</b>	<b>2,040</b>	<b>2,488</b>
EBIT margin	9.2%	18.7%	20.8%	24.4%	25.1%	24.8%
Net Interest Expense	1	2	(5)	(37)	(82)	(88)
Exceptional item	0	0	(13)	0	0	0
Associates	0	0	0	0	0	0
Gains/losses	0	0	0	0	0	0
Net Income Before Taxes	143	370	571	1,441	1,958	2,401
YoY change (%)	-63.5%	159.5%	54.2%	152.2%	35.9%	22.6%
Tax	(24)	(67)	(78)	(204)	(287)	(364)
Effective Tax rate	16.7%	18.0%	13.7%	14.2%	14.7%	15.2%
Minority Interests	0	0	0	0	0	0
<b>Net Income</b>	<b>119</b>	<b>304</b>	<b>493</b>	<b>1,237</b>	<b>1,671</b>	<b>2,037</b>
YoY change (%)	-63.0%	155.7%	62.3%	150.8%	35.1%	21.9%
Net margin	7.8%	15.4%	20.5%	22.6%	22.7%	22.4%

Source: Company data, J.P. Morgan estimates.

Table 5: XYG – Balance sheet

Year-end 31Dec (HK\$MM)	2012	2013	2014	2015E	2016E	2017E
Cash and Cash Equivalents	54	279	543	1,202	812	834
Inventories	217	91	299	678	914	1,128
Accounts receivable	641	499	733	1,662	2,238	2,763
Other Current Assets	2	206	28	(405)	(795)	(953)
<b>Total Current Assets</b>	<b>931</b>	<b>1,075</b>	<b>1,602</b>	<b>3,137</b>	<b>3,169</b>	<b>3,773</b>
Intangible Assets	188	188	180	180	180	180
Property and Equipment, Net	1,654	1,368	1,725	2,063	2,212	2,277
Other Assets	1	56	1,960	5,308	8,101	9,649
Non-Current assets	1,864	1,612	4,161	8,221	11,394	13,219
<b>Total Assets</b>	<b>2,796</b>	<b>2,687</b>	<b>5,764</b>	<b>11,358</b>	<b>14,563</b>	<b>16,992</b>
Accounts Payable	190	350	1,121	3,305	3,562	3,958
Other Accrued Expenses	1,511	0	0	0	0	0
Taxes Payable	1	17	28	154	237	313
ST and current LT debts	0	0	143	406	461	516
<b>Total Current Liabilities</b>	<b>1,701</b>	<b>367</b>	<b>1,291</b>	<b>3,865</b>	<b>4,260</b>	<b>4,787</b>
Long-term Debt	0	0	1,157	3,294	3,739	4,184
Other Noncurrent Liability	29	0	0	0	0	0
Noncurrent liabilities	29	19	1,167	3,303	3,748	4,193
<b>Total Liabilities</b>	<b>1,731</b>	<b>367</b>	<b>2,448</b>	<b>7,158</b>	<b>7,998</b>	<b>8,971</b>
Share capital	900	1,809	2,387	2,387	3,557	3,557
Reserves and Surplus	144	403	846	1,730	2,925	4,381
<b>Total Shareholders' Equity</b>	<b>1,065</b>	<b>2,310</b>	<b>3,306</b>	<b>4,190</b>	<b>6,555</b>	<b>8,011</b>
Minority Interest	0	10	10	10	10	10
<b>Total Shareholders' Equity</b>	<b>1,065</b>	<b>2,320</b>	<b>3,315</b>	<b>4,200</b>	<b>6,565</b>	<b>8,021</b>
<b>Total Liabilities and Equity</b>	<b>2,796</b>	<b>2,687</b>	<b>5,764</b>	<b>11,358</b>	<b>14,563</b>	<b>16,992</b>

Source: Company data, J.P. Morgan estimates.

Table 6: XYG – Cash flow statement

Year-end 31Dec (HK\$ MM)	2012	2013	2014	2015E	2016E	2017E
EBIT	142	369	589	1,477	2,040	2,488
Depreciation and Amortization	99	97	97	302	470	636
Working Capital Changes	(84)	113	93	876	(361)	(344)
Net Interest	0	2	(5)	(37)	(82)	(88)
Tax Paid	(70)	(24)	(67)	(78)	(204)	(287)
Cash Flow From Operations	87	556	708	2,540	1,863	2,406
Capital expenditures	(348)	(240)	(454)	(500)	(331)	(257)
Investments and others	39	(55)	(1,960)	(3,488)	(3,080)	(1,993)
Cash Flow from Investing	(309)	(295)	(2,414)	(3,988)	(3,411)	(2,249)
<b>Free Cash Flow</b>	<b>(222)</b>	<b>261</b>	<b>(1,706)</b>	<b>(1,448)</b>	<b>(1,548)</b>	<b>156</b>
Dividends	0	(37)	(110)	(249)	(414)	(528)
Common issue	2	0	780	0	1,170	0
Other Financing	0	0	1,305	2,400	500	500
Contribution from owner	243	0	(6)	(44)	(98)	(105)
Cash Flow from financing	245	(37)	1,970	2,107	1,158	(134)
Change in cash	22	224	264	659	(390)	22
Cash beginning	32	54	279	543	1,202	812
Foreign exchange changes	0	1	0	0	0	0
<b>Cash at end</b>	<b>54</b>	<b>279</b>	<b>543</b>	<b>1,202</b>	<b>812</b>	<b>834</b>

Source: Company data, J.P. Morgan estimates

Table 7: Interim estimates

Year to Dec (HK\$ MM)	1H13	2H13	1H14	2H14E	1H15E	2H15E
Total Revenues	860	1,108	994	1,415	2,405	3,060
Gross Profit	222	370	335	425	734	934
EBIT	95	274	237	352	587	-635
Net Income Before Taxes	96	275	239	332	573	-658
Net Income	80	224	200	293	492	-780
Diluted EPS (HK\$)	0.023	0.064	0.035	0.051	0.086	-0.137
<b>Ratios</b>						
Revenue split	43.7%	56.3%	41.3%	58.7%	44.0%	56.0%
GPM	25.9%	33.4%	33.7%	30.1%	30.5%	30.5%
EBIT margin	11.0%	24.7%	23.8%	24.9%	24.4%	-20.8%
NPM	9.3%	20.2%	20.1%	20.7%	20.4%	-25.5%
<b>YoY</b>						
Revenue	na	na	15.7%	27.7%	141.9%	116.2%
GP	na	na	50.8%	14.9%	119.1%	119.6%
EBIT	na	na	149.6%	28.7%	147.7%	-280.4%
NP	na	na	149.7%	31.0%	145.5%	-366.4%

Source: Company data, J.P. Morgan estimates.



## Investment Thesis, Valuation and Risks

### Xinyi Solar (*Overweight; Price Target: HK\$3.10*)

#### **Investment Thesis**

XYS has one of the lowest costs of production for solar glass, and demand is rising due to new subsidies offered by governments in both China and Japan.

The announcement of new downstream projects is faster than our expectations (currently 450MW assumed in 2014).

#### **Valuation**

Our Dec-15 PT is based on a DCF valuation that assumes a market risk premium of 6.0% and a risk free rate of 4.2% (yield on 10-year government notes in China). We have assumed a beta of 1.5. Accordingly, WACC is assumed at 10.4%. We have estimated free cash flow for XYG until 2020 and assume a terminal growth rate of 4%. The terminal growth is based on the annual growth rate expected in 2020 (the final year of the estimate period) subject to a minimum of 3% and a maximum of 6% depending on the nature of the industry and the level of maturity in China.

#### **Risks to Rating and Price Target**

Demand from Europe (still a third of total global) recovers more slowly than expected due to the economy or due to governments not subsidizing solar energy due to public deficits.

Cost of gas (largest cost at nearly 40%) continues to rise, as this is a long-term policy of the Chinese government to liberalize energy prices.

New capacity in solar glass is built by competitors, which could pressure prices.

## Xinyi Solar: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E	HK\$ in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E
Revenues	1,533	1,968	2,410	5,466	7,363	EBIT	142	369	589	1,429	1,995
% change Y/Y	24.3%	28.3%	22.5%	126.8%	34.7%	Depr. & amortization	99	97	97	462	621
Gross Profit	263	592	760	1,620	2,159	Change in working capital	(84)	113	93	(587)	8
% change Y/Y	(40.5%)	125.1%	28.4%	113.1%	33.3%	Taxes	(70)	(24)	(67)	(78)	(197)
EBITDA	241	465	687	1,891	2,616	Cash flow from operations	87	556	708	1,187	2,332
% change Y/Y	(46.7%)	93.0%	47.6%	175.4%	38.3%	Capex	(348)	(240)	(454)	(500)	(411)
EBIT	142	369	589	1,429	1,995	Net Interest	1	2	(5)	(40)	(94)
% change Y/Y	(63.7%)	160.0%	59.9%	142.5%	39.6%	Other	39	(55)	(1,960)	(3,488)	(3,080)
EBIT Margin	9.2%	18.7%	24.5%	26.2%	27.1%	Free cash flow	(262)	315	258	721	2,001
Net Interest	1	2	(5)	(40)	(94)	Equity raised/(repaid)	2	0	780	0	1,170
Earnings before tax	143	370	558	1,390	1,900	Debt raised/(repaid)	0	0	1,300	2,600	1,000
% change Y/Y	(63.5%)	159.5%	50.7%	149.0%	36.7%	Other	243	0	(1)	(48)	(114)
Tax	(24)	(67)	(78)	(197)	(278)	Dividends paid	0	(37)	(110)	(243)	(401)
as % of EBT	16.7%	18.0%	14.0%	14.2%	14.7%	Beginning cash	32	54	279	543	51
Net income (reported)	119	304	480	1,193	1,621	Ending cash	54	279	543	51	547
% change Y/Y	(63.0%)	155.7%	58.0%	148.5%	35.9%	DPS	0.00	0.02	0.02	0.06	0.08
Shares outstanding	3,495	5,700	6,090	6,090	6,558						
EPS (reported)	0.03	0.07	0.08	0.20	0.27						
% change Y/Y	(63.0%)	115.7%	11.7%	139.2%	35.9%						
Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E	HK\$ in millions, year end Dec	FY12	FY13	FY14E	FY15E	FY16E
Cash and cash equivalents	54	279	543	51	547	Gross margin	17.2%	30.1%	31.6%	29.6%	29.3%
Accounts receivable	641	499	733	1,662	2,238	EBITDA margin	15.7%	23.6%	28.5%	34.6%	35.5%
Inventories	217	91	299	678	914	Operating margin	9.2%	18.7%	24.5%	26.2%	27.1%
Others	18	206	28	305	188	Net margin	7.8%	15.4%	20.5%	21.8%	22.0%
Current assets	931	1,075	1,602	2,696	3,887	Sales per share growth	24.3%	8.3%	(13.5%)	118.4%	34.7%
LT investments	1	56	0	3,348	6,141	Sales growth	24.3%	28.3%	22.5%	126.8%	34.7%
Net fixed assets	1,654	1,368	3,685	3,863	3,941	Net profit growth	(63.0%)	155.7%	58.0%	148.5%	35.9%
Total Assets	2,796	2,687	5,764	10,757	15,050	EPS growth	(63.0%)	115.7%	11.7%	139.2%	35.9%
Liabilities						Interest coverage (x)	NM	NM	136.0	47.6	27.8
Short-term loans	0	0	143	428	538	Net debt to equity	(5.1%)	(12.0%)	22.8%	92.3%	67.0%
Payables	190	350	1,121	2,542	3,425	Working Capital to Sales	NM	0.4	0.1	NM	NM
Others	1,512	17	28	146	228	Sales/assets	0.5	0.7	0.6	0.7	0.6
Total current liabilities	1,701	367	1,291	3,117	4,191	Assets/equity	2.9	1.6	1.5	2.2	2.4
Long-term debt	0	0	1,157	3,472	4,362	ROE	11.9%	17.9%	14.7%	19.4%	17.5%
Other liabilities	29	0	0	0	0						
Total Liabilities	1,731	367	2,448	6,589	8,553						
Shareholders' equity	1,065	2,310	3,306	4,159	6,488						
BVPS	0.30	0.41	0.54	0.68	0.99						

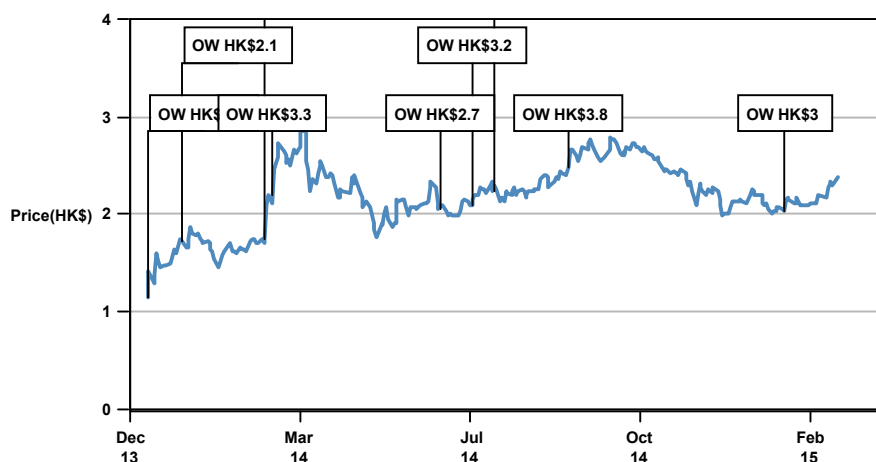
Source: Company reports and J.P. Morgan estimates.

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Xinyi Solar (0968.HK, 968 HK) Price Chart



Date	Rating	Share Price (HK\$)	Price Target (HK\$)
12-Dec-13	OW	1.14	1.30
03-Jan-14	OW	1.73	2.10
26-Feb-14	OW	1.74	2.80
03-Mar-14	OW	2.19	3.30
19-Jun-14	OW	2.06	2.70
10-Jul-14	OW	2.09	3.20
24-Jul-14	OW	2.23	3.40
09-Sep-14	OW	2.48	3.80
27-Jan-15	OW	2.04	3.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Dec 12, 2013.

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