



Rating
Sell

Asia
China

Energy
Alternative Energy

Company Goldwind Sci & Tech Alert

Reuters
2208.HK

Bloomberg
2208 HK

Exchange
HSI

Ticker
2208

Date
29 March 2015

Results

Price at 27 Mar 2015 (HKD)	13.06
Price target - 12mth (HKD)	10.80
52-week range (HKD)	14.66 - 7.37
HANG SENG INDEX	24,486

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In-line results; wind farm investment down 60% yoy

FY14 results in line; 1Q15 net profit guided up 350%-400%

Goldwind's FY14 net profit was up 328% yoy to Rmb1,830m on WTG recovery and wind farm contribution, in line with the preliminary announcement. Also, Goldwind expects 1Q15 net profit up 350%-400% at Rmb229-254m on accelerated turbine delivery and wind farm operation. It accounts for 11%-13% of DBE/consensus FY15E NP (similar to 11% in FY09/10, when the wind industry was at up-cycle). Although earnings growth may continue into 2015 with order delivery, we think the current share price, at 13x/17x FY15/16E PE, has largely priced in the earnings prospects for 2015 but has not discounted the potential earnings downturn in 2016 with delivery back to normal following the tariff cut. In addition, the company invested only Rmb2.3bn capex in wind farms in 2014 (vs. FY13: Rmb6.2bn and early guidance: Rmb4bn), which indicates downside risk to its guidance of adding 700-800MW wind capacity per year in 2015-16. Maintain Sell. Goldwind will host an analyst briefing at 10am, 30 Mar (Rm3307, the Center).

FY14 NP surged on higher output/wind farm contribution/margin expansion

In 2014, revenue increased 44% yoy to Rmb17.6bn due to 1) 40% higher WTG sales (WTG shipment reached 4.2GW, +43% yoy); and 2) 218% higher wind farm operation (600-700MW capacity commenced operation in 2014). Gross profit increased 209% with overall GPM up 5.7ppt yoy to 26%, driven by 4.1ppt margin expansion of WTG (23.4% vs. 19.3% in 2013) and higher GP contribution (17% vs. 10% in 2013) from high-margin wind farm operation (65.1%). Also, Goldwind realized a gain of Rmb333m from Australian wind farm (165MW) disposal. Thus, net profit surged 328%.

At end-14, total attributable installed wind capacity and total attributable capacity under construction were 1,522MW/1,454MW, respectively, up from 1,422MW/446MW by 1H14 and 1,306MW/553MW by 2013. However, total fixed assets at end 14 were largely the same as at end 13, suggesting limited capex in new wind farm investment despite a claimed hike in capacity under construction. Indeed, capex in wind farm was down over 60% yoy from Rmb6.2bn in 2013 to Rmb2.3bn in 2014. Hence, we believe capacity under construction is at very early stages and see downside risk to guidance of adding 700-800MW wind capacity per year in 2015-16. We suspect the lower-than-expected capex in wind farm may be related to the severe curtailment issue in Xinjiang, which is unlikely to improve near term with the Hami-Zhengzhou UHV line under-loaded due to insufficient local demand in Henan.

Hike in order backlog; 2MW to kick in

By end-14, total order backlog reached a record high at 11,947MW (+58%), including 5,828MW confirmed and 6,119MW bided but not yet signed. With 2MW type turbines start to kick in (total order backlog at 1.3GW), Goldwind expects to ship over 1GW of 2MW type in 2015.

Stock data

Market cap (HKDm)	30,244
Market cap (USDm)	3,900
Shares outstanding (m)	2,315.8
Major shareholders	Xinjiang Wind Power (18.49%)
Free float (%)	26
Avg daily value traded (USDm)	5.3

Source: Deutsche Bank

Key data

FYE 12/31	2013A	2014E	2015E
Sales (CNYm)	12,196	18,867	21,089
Net Profit (CNYm)	427.6	1,826.8	2,146.4
DB EPS (CNY)	0.16	0.67	0.78
PER (x)	26.7	15.7	13.3
Yield (net) (%)	1.9	3.2	3.8

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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