

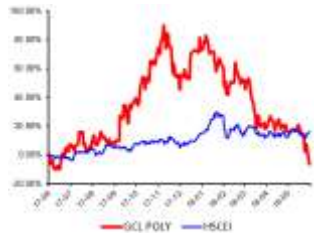
8 June 2018

中性
下调

Market Data: June 6, 2018

Closing Price (HK\$)	0.76
Price Target (HK\$)	0.79
HSCEI	12,284
HSCCI	4,726
52-week High/Low (HK\$)	1.63/0.72
Market Cap (US\$m)	1,800
Market Cap (HK\$m)	14,130
Shares Outstanding (m)	18,592
Exchange Rate (Rmb-HK\$)	1.24

Price Performance Chart:



Source: Bloomberg

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Related Reports

GCL-POLY ENERGY HOLDINGS LTD (3800HK) " Power outage " 16 March 2018

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资产剥离

GCL-POLY ENERGY HOLDINGS (3800:HK)

Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Revenue (Rmbm)	22,025	23,794	25,886	23,388	23,958
YoY (%)	1.19	8.04	8.79	(9.65)	2.44
Net income (Rmbm)	2099	1926	1596	1430	1506
YoY (%)	(0.32)	(8.24)	(17.16)	(10.38)	5.31
EPS (Rmb)	0.11	0.10	0.09	0.08	0.08
Diluted EPS (Rmb)	0.11	0.10	0.09	0.08	0.08
ROE (%)	11.27	8.97	6.29	5.32	5.31
Debt/asset (%)	73.12	74.55	74.30	73.49	74.20
Dividend Yield (%)	0.00	0.00	0.00	0.00	0.00
PE (x)	5.9	6.4	7.8	8.6	8.2
PB (x)	0.6	0.5	0.5	0.5	0.5
EV/Ebitda (x)	5.5	6.5	4.9	4.5	4.0

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

保利协鑫宣布可能向上海电气(2727HK, 未评级)出售江苏中能 51%的股权, 我们认为这项交易将改善保利协鑫的现金流状况。但考虑到整个光伏行业面临寒冬期, 预计公司在未来两年将面临较大挑战。我们维持 18 年 EPS 预测为 0.09 元 (同比下降 10%), 将 19 年预测从 0.1 元下调至 0.08 元 (同比下降 11.1%), 20 年预测从 0.11 元下调至 0.08 元。我们将目标价从 1.37 港币下调至 0.79 港币。现价距目标价仍有 4%上行空间, 将评级下调至中性。

潜在出售江苏中能。预计江苏中能 100%股权的估值将不超 250 亿元人民币, 公司净资产约为 180 亿元人民币。收购价的 50%将以现金支付, 其余 50%将通过上海电气配发与发行 A 股结算。因此我们预计这项交易将为保利协鑫提供不超过 64 亿元人民币现金, 且公司可能用该现金支付现有债务与额外红利。

多晶硅片向单晶硅片转化。为满足国内市场对单晶硅片的需求, 保利协鑫计划将其部分多晶硅产能转为单晶硅产能。公司计划在 2019 年底实现 5GW 的多晶硅片产能和 23GW 的单晶硅片产能, 其中 15GW 为原多晶硅片产能通过技术升级及改造而成。在多晶硅产能方面, 新疆的首批 20000 吨产能有望于 6 月底投产, 到 2018 年底, 新疆的 50000 吨多晶硅产有望全部投运。

光伏行业面临寒冬期。上周, 国家能源局发布《关于 2018 光伏发电有关事项的通知》, 年内严格控制普通地面式光伏电站和分布式光伏电站的装机规模。此外, 对于不同地区的光伏电站项目, 标杆上网电价也将下调 7%-9%不等。我们认为今年光伏装机热情将大幅减弱。随着普通地面式和分布式光伏电站装机量急剧下降, 我们预计今年中国总新增装机容量可能为 35-40GW, 同比下降 24.5%-34%。

下调评级至中性。我们维持 18 年 EPS 预测为 0.09 元 (同比下降 10%), 将 19 年预测从 0.1 元下调至 0.08 元 (同比下降 11.1%), 20 年预测从 0.11 元下调至 0.08 元 (持平)。我们将目标价从 1.37 港币下调至 0.79 港币, 相当于 8 倍 18 年 PE 和 0.5 倍 18 年 PB, 或者 9 倍 19 年 PE 和 0.5 倍 19 年 PB。现价距目标价仍有 4%上行空间, 将评级下调至中性。

GCL-Poly Energy announced it will sell a 51% stake in Jiangsu Zhongneng to Shanghai Electric Group (2727:HK – N-R). We believe the sale will improve GCL-Poly's cash flows. However, given a bleak outlook for China's solar power industry, we remain cautious about the company's development over the next two years. As a result, we maintain our EPS forecast of Rmb0.09 in 18E (-10.0% YoY) and revise down our forecasts from Rmb0.10 to Rmb0.08 in 19E (-11.1% YoY) and from Rmb0.11 to Rmb0.08 in 20E (flat YoY). We lower our target price from HK\$1.37 to HK\$0.79 (8x 18E PE). With 4% upside, we downgrade our company rating from Outperform to Hold.

Potential disposal of Jiangsu Zhongneng. The valuation of 100% equity of Jiangsu Zhongneng is expected to be less than Rmb25bn, and the net asset of the company is c.Rmb18bn. 50% of the purchase price will be from cash and the rest 50% will be allotment and issue of A share by Shanghai Electric. Therefore, we expect the deal will provide GCL-Poly of no more than Rmb6.4bn cash and we expect the company will use these cash to pay for current debt and special dividend.

From polysilicon to monocrystalline. In order to cater the domestic market demand for monocrystalline wafer, GCL-Poly plans to transform part of its polysilicon wafer capacity to monocrystalline. By end 2019, the company plans to possess 5GW polysilicon wafer capacity and 23GW monocrystalline wafer capacity with 15GW of which will be transformed from polysilicon wafer. As for the polysilicon capacity, the first 20,000 tons capacity in Xinjiang will put into operation by end-June and by end-2018, all 50,000 tons polysilicon capacity in Xinjiang will be operating.

Cloud on the horizon. Last week, the National Energy Administration (NEA) issued a notice on solar power and strictly control the installation of general ground-mounted solar power station as well as distributed power station. In addition, the on-grid tariff also be cut by 7-9% for projects located in different regions. We believe the notice will significantly reduce the aspiration for new capacity. With the sharp drop of general ground-mounted capacity and distributed capacity, we expect the total new capacity might be 35-40GW, representing 24.5-34% YoY decrease. Considering that the capacity of industry upstream manufactures exceeds the downstream demand, we maintain conservative view on GCL-POLY at current stage.

Downgrade to Hold. We maintain our EPS forecast of Rmb0.09 in 18E (-10.0% YoY) and revise down our forecasts from Rmb0.10 to Rmb0.08 in 19E (-11.1% YoY) and from Rmb0.11 to Rmb0.08 in 20E (flat YoY). We lower our target price from HK\$1.37 to HK\$0.79, representing 8x 18E PE and 0.5x 18E PB, or 9x 19E PE and 0.5x 19E PB. With 4% upside, we downgrade our rating from Outperform to Hold

Consolidated Income Statement

Rmbm	2016	2017	2018E	2019E	2020E
Revenue	22,025	23,794	25,886	23,388	23,958
Cost of Sales	-14,980	-15,596	-18,440	-15,890	-16,484
Gross Profit	7,044	8,199	7,445	7,497	7,474
Other Income	926	843	843	843	843
Distribution and marketing costs	-73	-119	-86	-89	-92
Administrative expenses	-1,847	-2,188	-1,872	-1,969	-2,010
EBITDA	8,399	9,206	10,432	10,786	10,837
EBIT	4,993	5,453	4,937	5,029	4,934
Finance Costs	-2,149	-2,541	-2,799	-3,133	-2,824
Profit before tax	2,844	2,912	2,138	1,896	2,110
Income tax expense	-537	-638	-364	-307	-436
Minority interests	165	48	177	159	167
Profit attributable	2,099	1,926	1,596	1,430	1,506

Source: Company data, SWS Research

Cash Flow Statement

Rmbm	2016	2017	2018E	2019E	2020E
Profit before taxation	2,844	2,912	2,138	1,896	2,110
Plus: Depr. and amortisation	3,405	3,753	5,496	5,757	5,903
Finance cost	2,149	2,541	2,799	3,133	2,824
Losses from investments	1,221	284	0	0	0
Change in working capital	-770	197	3,039	-1,583	375
Others	-1,065	-732	-364	-307	-436
CF from operating activities	7,785	8,955	13,107	8,896	10,775
Capex	-9,426	-18,278	-4,073	-2,625	-2,625
Other CF from investing activities	1,276	-497	0	0	0
CF from investing activities	-8,150	-18,775	-4,073	-2,625	-2,625
Equity financing	0	0	0	0	0
Net change in liabilities	-3,875	12,607	1,690	4,120	7,226
Dividend and interest paid	-2,493	-2,986	-2,799	-3,133	-2,824
Other CF from financing activities	5,136	2,077	0	0	0
CF from financing activities	-1,232	11,698	-1,109	987	4,402
Net cash flow	-1,597	1,878	7,925	7,258	12,552

Source: Company data, SWS Research

Consolidated Balance Sheet

Rmbm	2016	2017	2018E	2019E	2020E
Current Assets	27,112	31,111	38,729	44,399	57,315
Bank balances and cash	8,958	10,673	18,599	25,857	38,409
Trade and other receivables	12,285	14,537	14,438	13,045	13,363
Inventories	966	991	1,189	1,024	1,063
Other current assets	4,904	4,909	4,504	4,473	4,480
Long-term investment	1,088	2,424	2,424	2,424	2,424
PP&E	52,462	63,780	62,035	58,902	55,624
Intangible and other assets	6,358	9,965	9,965	9,965	9,965

Total Assets	87,019	107,280	113,153	115,691	125,328
Current Liabilities	34,401	43,424	42,376	40,495	43,446
Borrowings	14,169	20,817	17,037	18,326	20,540
Trade and other payables	17,860	19,592	21,985	18,945	19,653
Other current liabilities	2,372	3,015	3,354	3,224	3,254
Long-term liabilities	29,225	36,549	41,696	44,527	49,542
Total Liabilities	63,625	79,972	84,072	85,022	92,988
Minority Interests	2,573	4,532	4,710	4,869	5,036
Shareholder Equity	20,821	22,775	24,371	25,801	27,307
Share Capital	1,632	1,632	1,839	1,839	1,839
Reserves	19,189	21,143	22,532	23,962	25,468
Total Equity	20,821	22,775	24,371	25,801	27,307
Total Liabilities and equity	87,019	107,280	113,153	115,691	125,328

Source: Company data, SWS Research

Key Financial Ratios

	2016	2017	2018E	2019E	2020E
Ratios per share (Rmb)					
Earnings per share	0.11	0.10	0.09	0.08	0.08
Diluted earnings per share	0.11	0.10	0.09	0.08	0.08
Operating CF per share	0.42	0.49	0.71	0.48	0.59
Dividend per share	0.00	0.00	0.00	0.00	0.00
Net assets per share	1.13	1.24	1.33	1.40	1.48
Key Operating Ratios(%)					
ROIC	6.55	6.10	4.89	5.60	5.08
ROE	11.27	8.97	6.29	5.32	5.31
Gross profit margin	31.98	34.46	28.76	32.06	31.20
EBITDA Margin	38.13	38.69	40.30	46.12	45.23
EBIT Margin	22.67	22.92	19.07	21.50	20.60
Growth rate of Revenue(YoY)	1.19	8.04	8.79	(9.65)	2.44
Growth rate of Profit(YoY)	(0.32)	(8.24)	(17.16)	(10.38)	5.31
Debt-to-asset ratio	73.12	74.55	74.30	73.49	74.20
Turnover rate of net assets	1.1	0.9	0.9	0.8	0.8
Turnover rate of total assets	0.3	0.2	0.2	0.2	0.2
Effective tax rate (%)	(18.89)	(17.94)	(17.05)	(16.19)	(15.38)
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
Valuation Ratios (X)					
P/E	5.9	6.4	7.8	8.6	8.2
P/B	0.6	0.5	0.5	0.5	0.5
EV/Sale	2.1	2.5	2.0	2.1	1.8
EV/EBITDA	5.5	6.5	4.9	4.5	4.0

Source: Company data, SWS Research

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BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

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