

25 Mar 2019

买入
上调

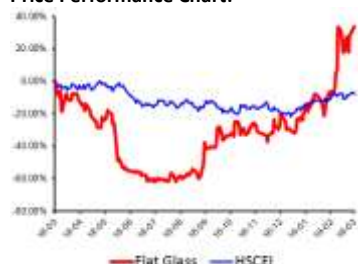
稳健发展

Flat Glass (06865 HK)

Market Data: Mar 22, 2019

Closing Price (HK\$)	4.00
Price Target (HK\$)	4.90
HSCEI	11,517
HSCCI	4,546
52-week High/Low (HK\$)	4.20/1.09
Market Cap (Rmbm)	6,667
Market Cap (HK\$m)	7,800
Shares Outstanding (m)	1,950
Exchange Rate (Rmb-HK\$)	1.17

Price Performance Chart:



Source: Bloomberg

Financial summary and valuation

	2017	2018	2019E	2020E	2021E
Revenue (Rmbm)	2,975	3,040	4,234	5,134	5,634
YoY (%)	0.79	2.20	39.29	21.25	9.73
Net income (Rmbm)	429.5	410.9	693.2	904.7	993.1
YoY (%)	(29.1)	(4.3)	68.7	30.5	9.8
EPS (Rmb)	0.24	0.23	0.36	0.46	0.51
Diluted EPS (Rmb)	0.24	0.23	0.36	0.46	0.51
ROE (%)	13.8	11.9	17.3	18.8	17.2
Debt/asset (%)	45.4	47.2	45.2	34.6	33.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
PE (x)	14.3	15.0	9.6	7.4	6.7
PB (x)	1.9	1.7	1.5	1.3	1.1
EV/Ebitda (x)	9.8	10.5	6.7	4.4	4.2

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

福莱特玻璃 2018 年收入 30 亿元（同比增 2.2%），净利 4.1 亿元（同比降 4.3%），基本符合我们此前预期。考虑到近期光伏玻璃涨价，我们调高 EPS 预期如下：2019 年由 0.34 元调至 0.36 元（同比增 56.5%），2020 年由 0.42 元调至 0.46 元（同比增 27.8%），我们预计 2021 年 EPS 为 0.51 元（同比增 10.9%）。我们上调目标价至 4.9 港币，目前存在 22.5% 上行空间，上调至买入。

Analyst

Vincent Yu, CFA

A0230513070005

BAM599

yuwj@swsresearch.com

(+86) 21 2329 7301

财务情况。2018 年公司毛利由 27.8% 降至 26%，主要由于 2018 年下半年光伏玻璃价格骤降。2018 年净利率由 2017 年的 14.3% 降至 13.3%。2018 年公司为未来越南及安徽新增产能增加的资本开支导致净负债率由 2017 年底的 83% 增至 90%。公司于 2019 年 2 月成功 A 股上市，发行 1.5 亿股募资 3 亿元。募集资金主要用于建设年产 90 万吨光伏组件盖板玻璃项目和年产 10 万吨在线 Low-E 镀膜玻璃项目。

双玻组件需求增长。由于双面双玻组件可在成本增加有限的情况下实现光伏组件的双面发电，双玻组件近年来市占率逐渐增加。2018 年公司双面组件出货量不到 10%，我们预计该比例有望于 2019 年上升至 20%。由于 2.5mm 光伏玻璃所需物耗等比传统 3.2mm 玻璃减少约 30%，我们认为 2.5mm 玻璃占比增加有望为公司带来更高毛利。

运营展望。目前福莱特玻璃光伏玻璃总产能约 4290 吨/天，在运产能 3690 吨/天。2019 年上半年，公司计划新增 1000 吨/天安徽产线，下半年新增 1000 吨/天越南产线。由于下游需求强劲，光伏玻璃价格已由 2019 年初的 21 元/平方米上涨至目前 26.5-27 元/平方米。我们认为 2019 年全年光伏玻璃平均价格有望达到 26 元/平方米。

上调至买入。我们调高 EPS 预期如下：2019 年由 0.34 元调至 0.36 元（同比增 56.5%），2020 年由 0.42 元调至 0.46 元（同比增 27.8%），我们预计 2021 年 EPS 为 0.51 元（同比增 10.9%）。我们上调目标价至 4.9 港币，对应 12 倍 19 年 PE 和 1.9 倍 19 年 PB。目前存在 22.5% 上行空间，上调至买入。

Related Reports

"Flat glass (6865:HK) _ Expanding capacity" Nov 16,2018

The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

Flat Glass reported 2018 revenue of Rmb3.0bn (+2.2% YoY) and net profit of Rmb411m (-4.3% YoY), roughly in line with our expectations. Considering the recent solar glass price hikes, we revise up our EPS forecasts from Rmb0.34 to Rmb0.36 in 19E (+56.5% YoY) and from Rmb0.42 to Rmb0.46 in 20E (+27.8% YoY), and forecast Rmb0.51 in 21E (+10.9% YoY). We also lift our target price from HK\$2.40 to HK\$4.90, representing 12x 19E PE and 1.9x 19E PB. With 22.5% upside, we upgrade our company rating from Outperform to BUY.

Financial data. The gross margin declined from 27.8% in 2017 to 26% in 2018, mainly due to the lower ASP of solar glass for 2018 especially after 31st May 2018. The NPM decline from 14.3% in 2017 to 13.3% in 2018. The gearing ratio increased from 83% in 2017 to 90% in 2018 mainly due to the capex increase in 2018 to construct new capacities in Anhui and Vietnam. In early 2019, the company successfully got listed on A share market by issuing 150m shares and financed Rmb300m. The fund will be invested in further capex of company's solar glass capacity expansion in Anhui and Vietnam.

Strong demand for double-glass solar modules. Double-glass solar module have become increasingly popular in recent years because it can generate electricity from both surfaces with limited costs addition. For 2018, the sales volume of 2.5mm processed solar glass used on double-glass solar module account for less than 10% of total sales of the company, while we expect this will increase to more than 20% for 2019. given that 2.5mm glass consumes c.30% fewer raw materials than 3.2mm glass, we expect 2.5mm glass to continue enjoying higher gross margin than traditional 3.2mm glass.

Operating forecast. Currently, Flat Glass has total solar glass capacity of 4,290tons/day, with operating capacity of 3690tons/day. For 1H19, the company plans to commence the operation of 1,000tons/day capacity located in Anhui province, and another 1,000tons/day capacity will put into operation in 2H19 in Vietnam. Since early-2019, the price of solar glass has rallied from Rmb21/sqm to current Rmb26.5-27/sqm due to the strong downstream demand. We expect the average processed solar glass price will reach Rmb26/sqm for 2019E.

Upgrade to BUY. we revise up our EPS forecasts from Rmb0.34 to Rmb0.36 in 19E (+56.5% YoY) and from Rmb0.42 to Rmb0.46 in 20E (+27.8% YoY), and forecast Rmb0.51 in 21E (+10.9% YoY). We also lift our target price from HK\$2.40 to HK\$4.90, representing 12x 19E PE and 1.9x 19E PB. With 22.5% upside, we upgrade our company rating from Outperform to BUY.

Consolidated Income Statement

Rmbm	2017	2018	2019E	2020E	2021E
Revenue	2,975	3,040	4,234	5,134	5,634
Cost of Sales	-2,148	-2,248	-2,899	-3,442	-3,767
Gross Profit	826	791	1,335	1,692	1,867
Other Income	41	52	52	52	52
Distribution expenses	-138	-128	-179	-217	-238
Administrative expenses	-107	-121	-169	-205	-225
EBITDA	737	740	1,261	1,643	1,807
EBIT	510	496	948	1,232	1,365
Finance Costs	-11	-26	-82	-26	-41
Profit Before Tax	499	470	867	1,206	1,324
Income Tax Expense	-69	-59	-173	-302	-331
Minority Interests	0	0	0	0	0
Profit for the Year	430	411	693	905	993

Source: Company data, SWS Research

Consolidated Cash Flow Statement

Rmbm	2017	2018	2019E	2020E	2021E
Profit before taxation	499	470	867	1,206	1,324
Plus: Depr. and amortisation	205	217	290	389	420
Finance cost	(9)	(19)	0	0	0
Losses from investments	8	0	0	0	0
Change in working capital	(374)	(267)	274	(638)	91
Others	(28)	(4)	(69)	(254)	(268)
CF from operating activities	300	398	1,361	703	1,567
Capex	(418)	(1,191)	(1,652)	(514)	(814)
Other CF from investing activities	(176)	(55)	0	0	0
CF from investing activities	(594)	(1,246)	(1,652)	(514)	(814)
Equity financing	0	0	0	0	0
Net change in liabilities	1,367	1,079	106	(1,192)	325
Dividend and interest paid	(36)	(73)	(82)	(26)	(41)
Other CF from financing activities	(777)	(593)	0	0	0
CF from financing activities	554	413	24	(1,218)	284
Net cash flow	259	(435)	(267)	(1,029)	1,037

Source: Company data, SWS Research

Consolidated Balance Sheet

Rmbm	2017	2018	2019E	2020E	2021E
Current Assets	2,950	3,057	2,770	2,785	3,719
Bank balances and cash	874	499	276	(738)	313
Trade and other receivables	1,589	1,981	1,952	2,817	2,817
Inventories	268	377	348	513	395
Other current assets	220	200	194	194	194
Long-term investment	657	617	617	617	617

PP&E	2,171	3,129	4,439	4,550	4,930
Intangible and other assets	178	151	129	106	84
Total Assets	5,956	6,954	7,954	8,058	9,349
Current Liabilities	1,969	2,250	2,493	2,417	2,517
Borrowings	384	639	681	213	340
Trade and other payables	1,478	1,515	1,731	2,122	2,095
Other current liabilities	106	96	82	82	82
Long-term liabilities	737	1,035	1,099	375	572
Total Liabilities	2,705	3,285	3,592	2,791	3,090
Minority Interests	0	0	0	0	0
Shareholder Equity	3,250	3,669	4,362	5,267	6,260
Share Capital	450	450	450	450	450
Reserves	2,800	3,219	3,912	4,817	5,810
Total Equity	3,250	3,669	4,362	5,267	6,260
Total Liabilities and equity	5,956	6,954	7,954	8,058	9,349

Source: Company data, SWS Research

Key Financial Ratios

	2017	2018	2019E	2020E	2021E
Ratios per share (Rmb)					
Earnings per share	0.24	0.23	0.36	0.46	0.51
Diluted EPS	0.24	0.23	0.36	0.46	0.51
Operating CF per share	0.17	0.22	0.70	0.36	0.80
Dividend per share	0.00	0.00	0.00	0.00	0.00
Net assets per share	1.81	2.04	2.24	2.70	3.21
Key Operating Ratios (%)					
ROIC	11.6	9.1	13.6	15.6	16.0
ROE	13.8	11.9	17.3	18.8	17.2
Gross profit margin	27.8	26.0	31.5	33.0	33.1
Ebitda Margin	24.8	24.4	29.8	32.0	32.1
Ebit Margin	17.1	16.3	22.4	24.0	24.2
Growth rate of Revenue(YoY)	0.8	2.2	39.3	21.3	9.7
Growth rate of Profit(YoY)	(29.1)	(4.3)	68.7	30.5	9.8
Debt-to-asset ratio	45.4	47.2	45.2	34.6	33.0
Turnover rate of net assets	0.96	0.88	1.05	1.07	0.98
Turnover rate of total assets	0.57	0.47	0.57	0.64	0.65
Effective tax rate (%)	(13.9)	(12.5)	(20.0)	(25.0)	(25.0)
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Valuation Ratios (x)					
PE	14.3	15.0	9.6	7.4	6.7
PB	1.9	1.7	1.5	1.3	1.1
EV/Sale	2.4	2.6	2.0	1.4	1.3

Source: Company data, SWS Research

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

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