

22 July 2014

# Singyes Solar (750.HK)

## Both EPC and BOT have sharp growth

HONG KONG | NEW ENERGY | COMPANY RESULTS

Rating:

**Buy**

- The Company recorded the revenue of RMB4.15 billion in 2013, up 34% y-y, gross profit amounted to RMB988 million with the gross margin of 23.8%, slightly lower than 24.2% in 2012, net profit attributable to the shareholders achieved to RMB490 million, increased by 49.3% y-y, with the EPS of RMB0.75, and the DPS was HK\$0.09. The Company's profit performance is better than our expectation, which is mainly because of the lower-than-expected administrative expenses, representing the effective cost control of the Company.
- The Company's curtain wall business maintained stable growth, the annual revenue increased by 12% y-y to RMB137 million, and the gross profit amounted to RMB220 million, the gross margin increased from 15.4% in 2012 to 16.1% in 2013. Public work and high-end residential businesses maintained the same revenue as the same period of the previous year, and the revenue of commercial and industrial buildings increased by 20%. We expect the traditional curtain wall business can still maintain the current profit level under the Company's strategy for focusing on developing new energy business in future.
- The Company's Solar EPC project recorded the revenue of RMB1.89 billion in 2013, up largely 76% y-y, among which the revenue of commercial and industrial projects increased by 140% from RMB752 million in 2012 to 1.8 billion in 2013, and the gross margin of photovoltaic EPC dropped from 35.5% in 2012 to 29.5% in 2013, which was because the gross margin was lower than that of public work. The Company's project under construction was 320MW, including 330MW in Wuwei, Gansu, and 150MW in Zhuhai, Guangdong, we expect the construction of EPC would be over 600MW this year. The Company plans to complete 300MW in Wuwei and 350MW in Zhuhai in 2015, and the construction would achieve to 800MW, therefore the Company will face the large growth of photovoltaic EPC in the next two years.
- The Company finished 195MW of self-built photovoltaic project in 2013, and the Company will continue to operate and find the appropriate time to sell, the scale of photovoltaic BOT is not very large currently, but they can provide the stable growth before they are sold, and can gain the large profit for sale. The Company sold a project with 15MW to gain the net profit of RMB19.6 million, and considering the allowance of Golden Sun, net gains can increase to RMB53.6 million in maximum. We expect the photovoltaic BOT business will continue to expand in future, with 200-300MW of new plans in 2014.

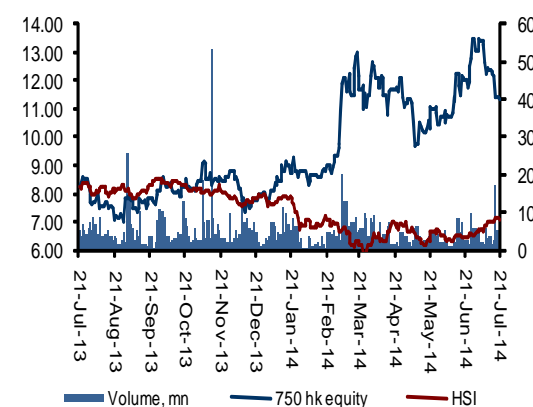
<b>Target Price (HKD)</b>	<b>14.96</b>
Forecast Dividend (HKD)	0.10
Closing Price (HKD)	11.34
<b>Potential Upside</b>	<b>33.0%</b>

### Company Description

Singyes Solar focuses on the solar technology, architecture energy saving technology and relevant functional new materials, the major businesses are: traditional curtain wall business, photovoltaic integration and sales of materials related to architecture and photovoltaic. It was listed in The Stock Exchange of Hong Kong Ltd. on January 13, 2009

### Company Data

Market Cap. (HKD bn)	7,874
Enterprise Value (HKD mn)	N/A
52 week range (HKD)	6.931 - 13.8
Closing Price in 52 week range	



### Key Financial Summary

FYE	12/12	12/13F	12/14F	12/15F
Operating Profit (RMB 000)	508,887	737,410	1,169,237	1,450,372
Net Profit, adj. (RMB 000)	328,644	490,587	808,195	1,006,719
EPS, adj. (RMB)	0.52	0.75	1.09	1.36
P/E (X)	17.4	12.1	8.3	6.7
BVPS (RMB)	2.92	3.98	4.33	4.99
P/B (X)	3.1	2.3	2.1	1.8
DPS (RMB)	0.07	0.09	0.10	0.10
Div. Yield	0.8%	1.0%	1.1%	1.1%

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

### Major Shareholders

1. Strong Eagle Holdings Limited	35.41%
2. JPMorgan Chase & Co.	6.99%

### Valuation Method

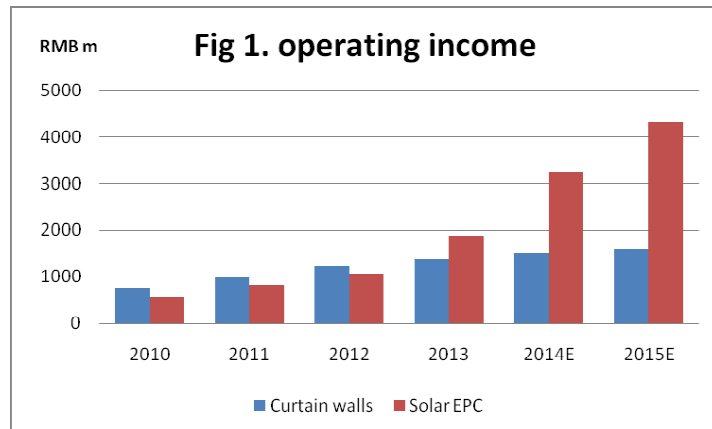
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### Phillip Research

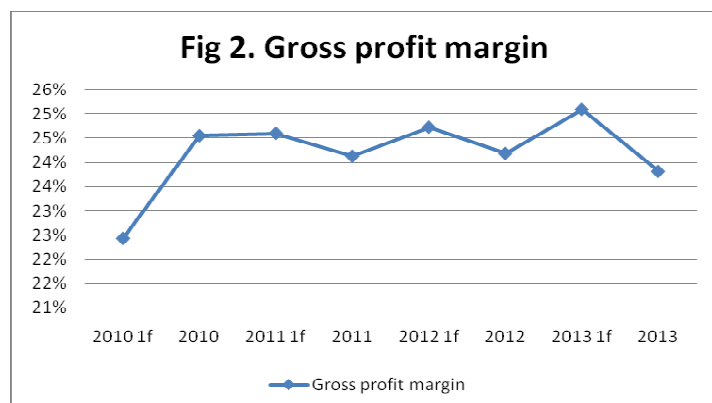
[research@phillip.com.cn](mailto:research@phillip.com.cn)

+86 21 51699400-104

- The Company is a leader in the domestic photovoltaic construction industry, and the project scale of EPC will increase sharply in the next five years after the 1.1GW project in Weiwu, Gansu in 2013. The Company currently has RMB900 million in cash, and there is no pressure of capital expenditure in 2014, and we expect its new projects will increase largely after current issues of distributed projects are sorted out nationwide. We give the Company's 12-month target price to HK\$14.96, equivalent to 11/8.8xP/E in 2014E/2015E respectively, recommend 'Buy' rating.



Source: PSR, Company Report

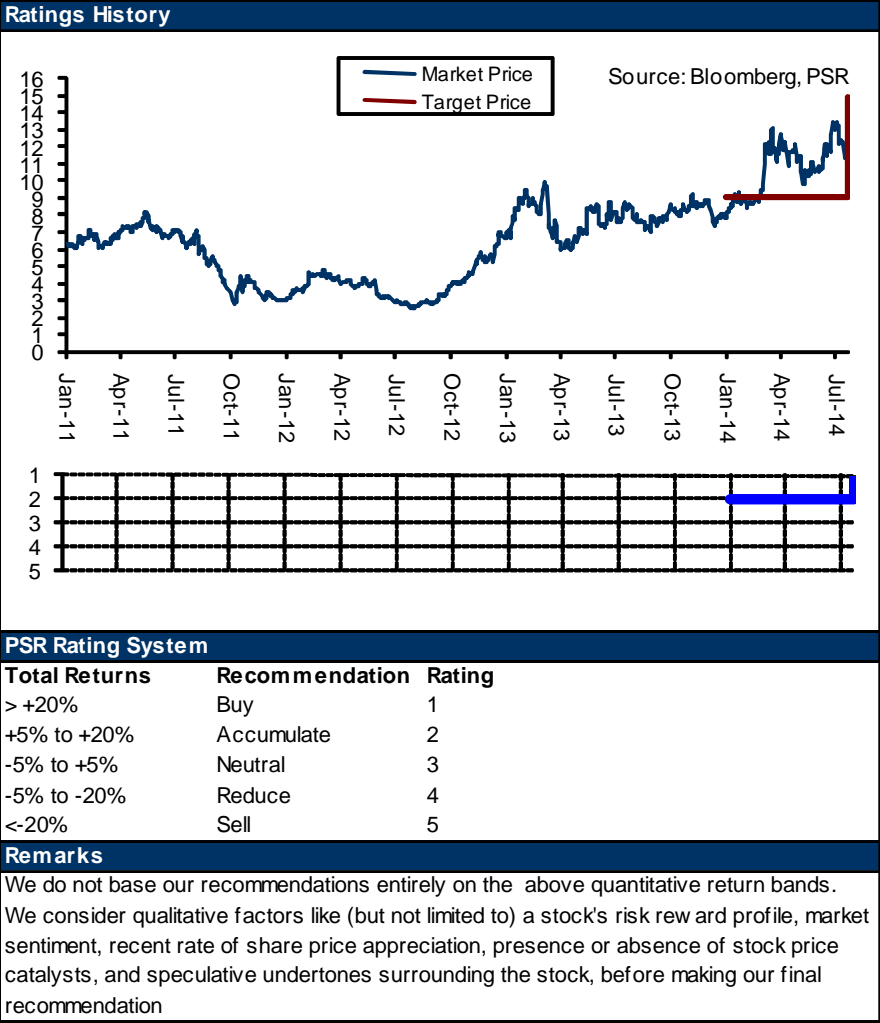


Source: PSR, Company Report

**For Financial Summary at the end of report**

<b>FYE</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14F</b>	<b>FY15F</b>
<b>Valuation Ratios</b>					
P/E (X)	19.2	17.4	12.1	8.3	6.7
P/B (X)	3.8	3.1	2.3	2.1	1.8
Dividend Payout ratio	8.47%	13.44%	12.00%	9.17%	7.35%
Dividend Yield	0.44%	0.77%	0.99%	1.10%	1.10%
<b>Per share data (RMB)</b>					
EPS, reported	0.47	0.52	0.75	1.09	1.36
EPS, adj.	0.47	0.52	0.75	1.09	1.36
DPS	0.04	0.07	0.09	0.10	0.10
BVPS	2.41	2.92	3.98	4.33	4.99
<b>Growth</b>					
Revenue	35.0%	28.7%	34.0%	37.5%	22.4%
Operating income	37.9%	24.9%	44.9%	58.6%	24.0%
Net Income, adj.	34.4%	13.0%	49.3%	64.7%	24.6%
<b>Key Ratios</b>					
Current ratio	128.73%	144.81%	145.75%	147.25%	127.27%
Gross profit margin	24.13%	24.19%	23.81%	24.00%	24.00%
Net profit margin	12.09%	10.61%	11.82%	14.16%	14.42%
Return on average assets	12.41%	9.37%	9.47%	11.26%	11.78%
Return on average equity	22.45%	19.45%	22.08%	27.78%	29.08%
Liability/asset	48.20%	54.43%	58.75%	60.04%	59.00%
<b>Income statement (thousand RMB)</b>					
<b>Operating revenue</b>	<b>2,406,212</b>	<b>3,097,511</b>	<b>4,150,509</b>	<b>5,705,600</b>	<b>6,981,700</b>
Cost of good sell	(1,825,618)	(2,348,361)	(3,162,109)	(4,336,256)	(5,306,092)
<b>Gross profit</b>	<b>580,594</b>	<b>749,150</b>	<b>988,400</b>	<b>1,369,344</b>	<b>1,675,608</b>
Other net profit	41,779	21,135	77,481	167,577	187,335
Administrative expenses	(160,755)	(196,776)	(218,905)	(242,985)	(269,713)
Selling expenses	(48,075)	(61,406)	(75,664)	(90,797)	(108,956)
Other cost	(5,999)	(3,216)	(33,902)	(33,902)	(33,902)
<b>Operating profit</b>	<b>407,544</b>	<b>508,887</b>	<b>737,410</b>	<b>1,169,237</b>	<b>1,450,372</b>
Interest expense	(36,011)	(88,785)	(110,904)	(133,085)	(159,702)
<b>Profit before tax</b>	<b>371,533</b>	<b>420,102</b>	<b>626,506</b>	<b>1,036,152</b>	<b>1,290,670</b>
Income tax	(80,025)	(93,171)	(135,915)	(227,953)	(283,947)
Effective income tax rate	21.54%	22.18%	21.69%	22.00%	22.00%
<b>Net profit for the period</b>	<b>291,508</b>	<b>326,931</b>	<b>490,591</b>	<b>808,199</b>	<b>1,006,723</b>
Minority interest	658	(1,713)	4	4	4
<b>Net profit attributable to equity holders</b>	<b>290,850</b>	<b>328,644</b>	<b>490,587</b>	<b>808,195</b>	<b>1,006,719</b>
Dividend paid	17,045	35,921	48,954	65,280	65,280
<b>Balance Sheet (thousand RMB)</b>					
Cash or cash equivalent	315,496	698,088	894,732	939,469	375,787
Account receivable	991,551	1,281,444	1,801,263	2,161,516	2,485,743
Inventory	63,847	63,384	76,629	88,123	96,936
Other current assets	139,159	323,407	693,930	693,930	693,930
PPE	1,261,462	1,545,279	2,680,214	4,020,321	5,226,417
Other non-current assets	178,649	152,080	153,965	153,965	153,965
<b>Total Assets</b>	<b>2,950,164</b>	<b>4,063,682</b>	<b>6,300,733</b>	<b>8,057,324</b>	<b>9,032,778</b>
Cash payable	298,112	515,365	1,292,961	1,551,553	1,784,286
Short term loan	569,147	917,354	869,628	869,628	869,628
Other current liability	305,751	201,399	215,847	215,847	215,847
Long term loan	96,413	289,080	681,281	1,430,690	1,573,759
Other non-current liability	152,542	288,572	641,904	770,285	885,828
<b>Total Liabilities</b>	<b>1,421,965</b>	<b>2,211,770</b>	<b>3,701,621</b>	<b>4,838,003</b>	<b>5,329,348</b>
Shareholders' equity	1,523,644	1,845,070	2,599,112	3,219,321	3,703,430
Minority interest	4,555	6,842	36	36	36
<b>Total shareholders' equity</b>	<b>1,528,199</b>	<b>1,851,912</b>	<b>2,599,076</b>	<b>3,219,285</b>	<b>3,703,394</b>
Total shareholders' equity and liabilities	2,950,164	4,063,682	6,300,733	8,057,324	9,032,778

Source: PSR



**PHILLIP RESEARCH STOCK SELECTION SYSTEMS**

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm$ 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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**Contact Information (Regional Member Companies)**

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**SINGAPORE**

**Phillip Securities Pte Ltd**  
Raffles City Tower  
250, North Bridge Road #06-00  
Singapore 179101  
Tel : (65) 6533 6001  
Fax : (65) 6535 6631  
Website: [www.poems.com.sg](http://www.poems.com.sg)

**HONG KONG**

**Phillip Securities (HK) Ltd**  
Exchange Participant of the Stock Exchange of Hong Kong  
11/F United Centre 95 Queensway  
Hong Kong  
Tel (852) 22776600  
Fax (852) 28685307  
Websites: [www.phillip.com.hk](http://www.phillip.com.hk)

**INDONESIA**

**PT Phillip Securities Indonesia**  
ANZ Tower Level 23B,  
Jl Jend Sudirman Kav 33A  
Jakarta 10220 – Indonesia  
Tel (62-21) 57900800  
Fax (62-21) 57900809  
Website: [www.phillip.co.id](http://www.phillip.co.id)

**THAILAND**

**Phillip Securities (Thailand) Public Co. Ltd**  
15th Floor, Vorawat Building,  
849 Silom Road, Silom, Bangrak,  
Bangkok 10500 Thailand  
Tel (66-2) 6351700 / 22680999  
Fax (66-2) 22680921  
Website [www.phillip.co.th](http://www.phillip.co.th)

**UNITED KINGDOM**

**King & Shaxson Capital Limited**  
6th Floor, Candlewick House,  
120 Cannon Street,  
London, EC4N 6AS  
Tel (44-20) 7426 5950  
Fax (44-20) 7626 1757  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**AUSTRALIA**

**PhillipCapital Australia**  
Level 12, 15 William Street,  
Melbourne, Victoria 3000, Australia  
Tel (613) 96188238  
Fax (613) 92002272  
Website: [www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**MALAYSIA**

**Phillip Capital Management Sdn Bhd**  
B-3-6 Block B Level 3 Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450  
Kuala Lumpur  
Tel (603) 21628841  
Fax (603) 21665099  
Website: [www.poems.com.my](http://www.poems.com.my)

**JAPAN**

**PhillipCapital Japan K.K.**  
Nagata-cho Bldg.,  
8F, 2-4-3 Nagata-cho,  
Chiyoda-ku, Tokyo 100-0014  
Tel (81-3) 35953631  
Fax (81-3) 35953630  
Website: [www.phillip.co.jp](http://www.phillip.co.jp)

**CHINA**

**Phillip Financial Advisory (Shanghai) Co. Ltd**  
No 436 Hengfeng Road,  
Greentech Unit 604,  
Postal code 200070  
Tel (86-21) 51699400  
Fax (86-21) 63532643  
Website: [www.phillip.com.cn](http://www.phillip.com.cn)

**FRANCE**

**King & Shaxson Capital Limited**  
3rd Floor, 35 Rue de la Bienfaisance 75008  
Paris France  
Tel (33-1) 45633100  
Fax (33-1) 45636017  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**UNITED STATES**

**Phillip Futures Inc**  
141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel +1.312.356.9000  
Fax +1.312.356.9005