

Xinjiang GoldWind (2208.HK)

Speeds up or Slides in the Next Year

Hong Kong | New Energy | Update Report

23 February 2015

Market share slides

According to 2014 wind power machinery status statistics released by Wind Power Professional Committee of China Renewable Energy Society, the Company maintains its domestic first place by its 19% proportion in the market, but it has declined by 4 percentage compared with 2013, while the United Power, Mingyang Wind Power, Envision Energy, XEMC Wind Power which rank the 2nd to the 5th have a rather rapid increment in market share. We consider, the competition among domestic manufacturers of large-scaled wind power machines is getting more and more furious, and technology R&D of each manufacturer also renders its own products more competitive, so there are possibilities that the Company's future market share may continually slide.

The probability of wind business closure may increase.

The amount of newly-increased installed machinery throughout 2014 in China has reached 23GW, substantially increasing by 45% yoy, partly caused by the previous saying that wind power machines that are completed by 30th June 2015 would be free from the influence of connecting-net electric price, however, the finally adjustment policy of wind power electric price determines that wind power machines that are connected to the net by 31st December 2015 will be free from the influence of price adjustment, which gives certainty to projects to be completed in 2015, thus the rush of machine installing may bring about an increment of wind business closure in 2016. Under the influence of two factors, which are the high rate of wind business closure and the low electric price, we predict the amount of domestic wind power installed machinery in 2016 may have a shrink.

Valuation

It is expected that the fan manufacture industry will still have a relatively good result in 2015 while the result in 2016 may drop. In addition, the competition in this industry will be fiercer and the possible rise of the price of the raw material in the future may cause the drop of the gross profit rate. We think the growth speed of the company's result may encounter the bottleneck. We will lower the target price of the company to 12.45 HKD, which is of the "Accumulate" rating.

Accumulate (Downgrade)

CMP 11.64 HKD

TARGET 12.45 HKD

COMPANY DATA

O/S SHARES(MN) :	2694
MARTKET CAP (HKD BN) :	58.21
52-WK HI/LO (HKD) :	7.3/ 15.26

SHARE HOLDING PARTTEN , %

Xinjiang Wind Power Company Limited	13.95
China Three Gorges Corporation	24.67

PRICE PERFORMANCE , %

	1MTH	3MTH	1YR
2208HK	-7.18	-0.17	37.43
HSI	-11.78	-6.41	27.86

PRICE & HSI



Source: Phillip Securities (HK) Research

Key Financial Summary

FYE	12/12	12/13	12/14F	12/15F
Operating Profit (RMB 000)	478,755	677,258	7,535,315	8,984,768
Net Profit, adj. (RMB 000)	153,054	427,646	1,832,596	2,219,040
EPS, adj. (RMB)	0.06	0.16	0.68	0.83
P/E (X)	177.1	66.4	15.6	12.8
BVPS (RMB)	4.79	4.96	5.77	6.59
P/B (X)	2.2	2.1	1.8	1.6
DPS (RMB)	0.06	0.08	0.12	0.20
Div. Yield	0.5%	0.8%	1.1%	1.9%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

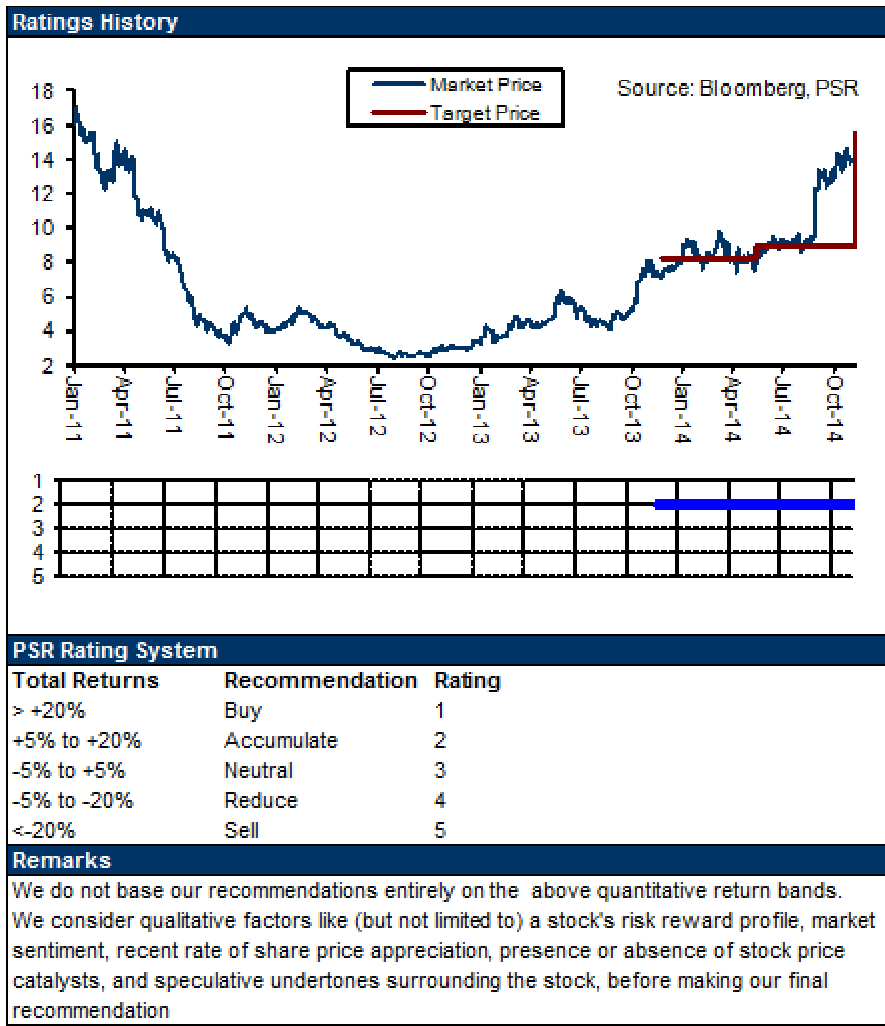
Phillip Research
 (+ 86 21 51699400-104)
 research@phillip.com.cn

Financials

For Financial Summary at the end of report

FYE	FY11	FY12	FY13F	FY14F	FY15F
Valuation Ratios					
P/E (X)	46.2	177.1	66.4	15.6	12.8
P/B (X)	2.2	2.2	2.1	1.8	1.6
Dividend Payout ratio	21.74%	91.67%	50.00%	17.65%	24.10%
Dividend Yield	0.47%	0.52%	0.75%	1.13%	1.88%
Per share data (RMB)					
EPS, reported	0.23	0.06	0.16	0.68	0.83
EPS, adj.	0.23	0.06	0.16	0.68	0.83
DPS	0.05	0.06	0.08	0.12	0.20
BVPS	4.78	4.79	4.96	5.77	6.59
Growth					
Revenue	-27.5%	-12.0%	8.7%	40.0%	20.0%
Operating income	-62.1%	-53.0%	41.5%	1012.6%	19.2%
Net Income, adj.	-73.5%	-74.8%	179.4%	328.5%	21.1%
Key Ratios					
Current ratio	161.44%	192.18%	161.98%	132.54%	138.46%
Gross profit margin	16.12%	14.19%	20.12%	29.00%	28.50%
Net profit margin	4.76%	1.36%	3.51%	10.73%	10.83%
Return on average assets	2.01%	0.47%	1.26%	4.23%	4.68%
Return on average equity	4.64%	1.19%	3.26%	12.68%	13.33%
Liability/asset	59.09%	58.99%	60.98%	65.53%	62.43%
Income statement (thousand RMB)					
	FY11	FY12	FY13F	FY14F	FY15F
Operating revenue	12,755,970	11,224,926	12,196,240	17,077,608	20,493,130
Cost of good sell	(10,699,178)	(9,632,600)	(9,741,963)	(12,125,101)	(14,652,588)
Gross profit	2,056,792	1,592,326	2,454,277	4,952,507	5,840,542
Other net profit	770,150	585,554	419,018	287,764	287,764
Administrative expenses	(738,691)	(712,741)	(839,147)	(1,076,750)	(1,184,425)
Selling expenses	(990,317)	(876,456)	(1,202,407)	(1,459,613)	(1,678,555)
Other cost	(78,794)	(109,928)	(154,483)	(121,100)	(121,100)
Operating profit	1,019,140	478,755	677,258	7,535,315	8,984,768
Investment income	103,248	120,228	148,098	53,038	53,038
Interest expense	(257,954)	(392,127)	(319,806)	(525,503)	(630,604)
Profit before tax	864,434	206,856	505,550	2,110,343	2,566,660
Income tax	(146,448)	(41,387)	(71,914)	(263,793)	(333,666)
Effective income tax rate	16.94%	20.01%	14.22%	12.50%	13.00%
Net profit for the period	717,986	165,469	433,636	1,846,550	2,232,994
Minority interest	111,279	12,415	5,990	13,954	13,954
Net profit attributable to equity holders	606,707	153,054	427,646	1,832,596	2,219,040
Dividend paid	134,729	148,202	197,603	296,405	494,008
Balance Sheet (thousand RMB)					
	FY11	FY12	FY13F	FY14F	FY15F
Cash or cash equivalent	7,596,918	6,817,928	4,320,749	8,956,130	9,224,814
Account receivable	10,299,392	10,114,634	9,804,087	11,610,440	11,958,753
Inventory	5,148,235	3,511,626	3,002,477	4,621,682	4,760,332
Other current assets	2,322,232	3,129,156	3,140,696	4,904,400	5,051,532
PPE	4,579,887	5,366,421	10,349,292	10,965,024	12,061,526
Intangible assets	716,143	739,584	680,900	616,948	635,456
Other non-current assets	1,767,379	2,717,149	4,046,648	4,649,848	4,789,343
Total Assets	32,430,186	32,396,498	35,344,849	46,324,472	48,481,757
Cash payable	7,580,875	8,504,996	9,066,852	9,618,276	9,906,824
Short term loan	5,467,483	389,211	570,705	8,828,020	8,092,861
Other current liability	2,664,539	3,372,196	2,875,441	4,257,744	4,385,476
Long term loan	2,574,745	5,715,906	7,394,091	5,565,069	5,732,021
Other non-current liability	874,035	1,128,564	1,644,824	2,089,380	2,152,061
Total Liabilities	19,161,677	19,110,873	21,551,913	30,358,489	30,269,244
Shareholders' equity	12,874,059	12,902,654	13,367,526	15,534,320	17,767,900
Minority interest	394,450	382,971	425,410	431,663	444,613
Total shareholders' equity	13,268,509	13,285,625	13,792,936	15,965,983	18,212,513
Total shareholders' equity and liabilities	32,430,186	32,396,498	35,344,849	46,324,472	48,481,757

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

GENERAL DISCLAIMER

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Disclosure of Interest

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report.

Firm's Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

Availability

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product's risks, please visit the Risk Disclosures Statement on <http://www.phillip.com.hk>.

© 2015 Phillip Securities (Hong Kong) Limited

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

www.phillip.com.sg

INDONESIA

PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

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 2268 0999 Fax: (66) 2 2268 0921

www.phillip.co.th

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

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 (60) 3 2162 8841 Fax (60) 3 2166 5099

www.poems.com.my

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd.

No 436 Heng Feng Road, Green Tech Tower Unit 604
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

www.phillip.com.cn

FRANCE

King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

www.kingandshaxson.com

AUSTRALIA

PhillipCapital Australia

Level 12, 15 William Street,

Melbourne, Victoria 3000, Australia

Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277

www.phillipcapital.com.au

HONG KONG

Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

www.phillip.com.hk

JAPAN

Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

www.phillip.co.jp

INDIA

PhillipCapital (India) Private Limited

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

www.phillipcapital.in

UNITED KINGDOM

King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

www.kingandshaxson.com

SRI LANKA

Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

www.ashaphillip.net/home.htm