

Xinjiang Goldwind (2208.HK)

Pioneer of Energy Internet

Hong Kong | New Energy | Update Report

12 Jun 2015

Significant growth of results

In 2014, Goldwind recorded revenues of RMB 17.573 billion, up by 44% yoy, with the net profit attributable to its listed company's shareholders being RMB 1.83 billion, up by 328% yoy. The significant growth of the results was attributed to the increase of WTG (Wind Turbine Generator) sales, and increasing profit margin driven by the cost control. The Company's integrated gross margin was 26%, up by 5.9ppts yoy than that in 2013. For Q1 2015, the Company recorded revenues of RMB 2.552 billion, up by 77.9% yoy, with the net profit attributable to its listed company's shareholders of RMB 249 million, up by 389.7% yoy. Therefore, the high-speed growth trend of the result in 2014 is continued into this year.

WTG sales ranked first steadily

In 2014, Goldwind sold WTGs of 4190MW capacity, up by 43.3% yoy and taking 19% of the market shares backed up its No.1 position in the industry in China. Its WTG sales recorded RMB 15.7 billion, up by 39.9% yoy. Most of WTGs were 1.5MW type, and its sales capacity increased by 56.9%. The gross margin from WTG sales went up by 4.28 ppts to 24.5%. By far in 2015, the Company has landed actual orders of 6838MW and potential orders of 5796 MW, up by 59.4% and 55.9% respectively than that in the same period in 2014. The management set a sales target of 5GW capacity for 2015.

Accelerated construction of wind farms

The year 2014 saw Goldwind to record the revenues of RMB1.17 billion from the sales of its wind power, up by 218% yoy. By Q1 2015, the Company had equity-based installed capacity under operation of 1689MW, with 1360MW under construction, mostly in Northwest and North China. During the period of Q1, the Company's generating equipment had available hours of 522, 39 hours more than national average. The power plants owned by the Company operated well and it is expected that the Company can increase 1GW grid-connected power generation in this year.

Enter energy internet

Goldwind is a pioneer in energy internet layout in Hong Kong market. In April 2014, the Beijing Intelligent Microgrid developed by the Company was put on the grid to sell electricity, with another put into operation in Dafeng, Jiangsu Province in March this year. The Intelligent Microgrid, which is a small system for power generation and distribution comprising distributed power supply, energy storage unit, energy converter, and load, monitoring and protective devices, is an autonomous system able to conduct self-control, protection and management, that is, it can operate either by being isolated or by being connected to the grid. The Microgrid helps digest generated power on the one hand, and on the other hand its combination with the Internet can realize the online power sales and achieve efficient power saving.

Valuation

Goldwind's WTG sales business and power plant operation business are both growing rapidly, plus the move to enter energy internet. We estimate that the Company will have a net profit of RMB 22.45 billion and RMB 25.2 billion respectively in the next two years. We adjust its target price up to HK\$ 20.75, 20 times of expected P/E ratio in 2015, and give a "Accumulate" rating.

Accumulate (Maintain)

CMP: HKD 17.40

(Closing price as at 10 June 2015)

TARGET: HKD 20.75

COMPANY DATA

O/S SHARES(MN) :	500
MARTKET CAP (HKD BN) :	87.01
52-WK HI/LO (HKD) :	8.53/ 19.78

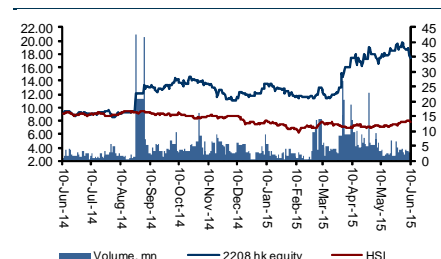
SHARE HOLDING PARTTEN , %

China Three Gorges Corporation	24.67
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PRICE PERFORMANCE , %

	1MTH	3MTH	1YR
2208HK	2.65	45.04	94.55
HSI	4.78	32.1	78.79

PRICE & HSI



Source: Phillip Securities (HK) Research

Key Financial Summary

FYE	12/13	12/14	12/15F	12/16F
Net Profit, adj. (RMB 000)	428	1,854	2,245	2,520
EPS, adj. (RMB)	0.16	0.68	0.83	0.94
P/E (X)	87.0	20.5	16.8	14.8
BV/PS (RMB)	4.96	5.48	6.31	7.25
P/B (X)	2.8	2.5	2.2	1.9
DPS (RMB)	0.08	0.40	0.40	0.40
Div. Yield	0.6%	2.9%	2.9%	2.9%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

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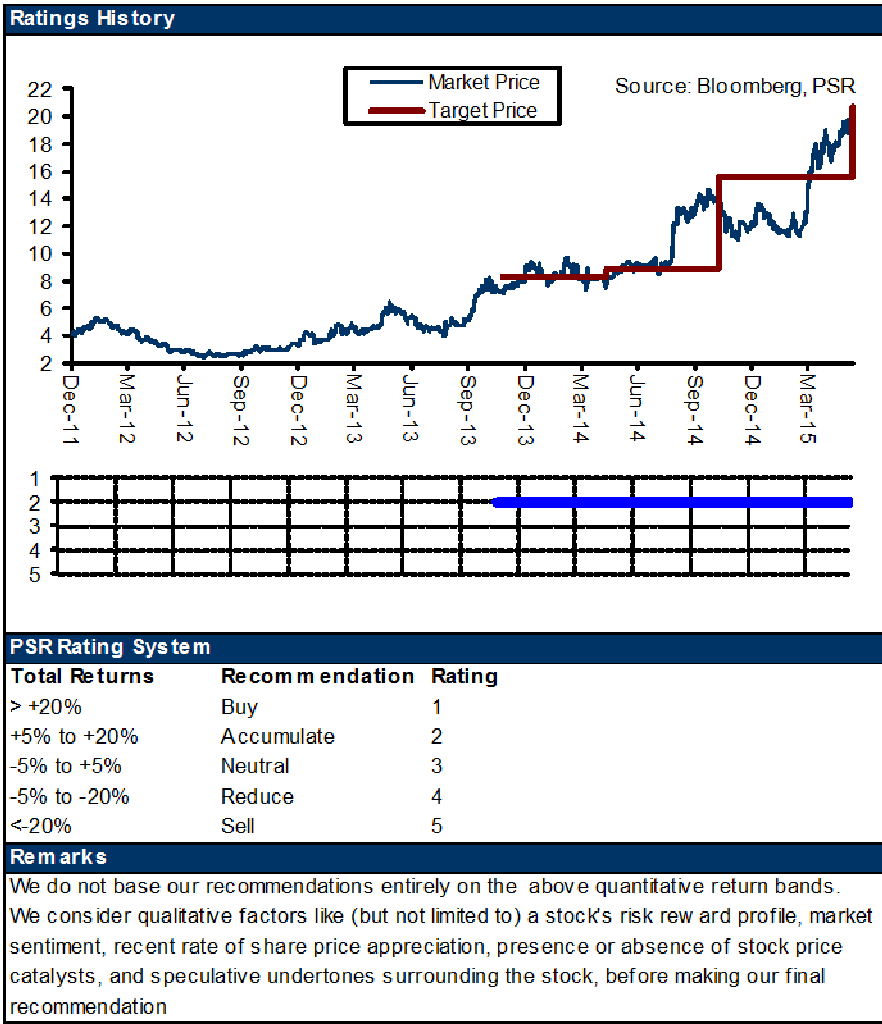
Financials

For Financial Summary at the end of report

FYE	FY12	FY13	FY14	FY15F	FY16F
Valuation Ratios					
P/E (X)	232.0	87.0	20.5	16.8	14.8
P/B (X)	2.9	2.8	2.5	2.2	1.9
Dividend Payout ratio	91.67%	50.00%	58.82%	48.19%	42.55%
Dividend Yield	0.40%	0.57%	2.87%	2.87%	2.87%
Per share data (RMB)					
EPS, reported	0.06	0.16	0.68	0.83	0.94
EPS, adj.	0.06	0.16	0.68	0.83	0.94
DPS	0.06	0.08	0.40	0.40	0.40
BVPS	4.79	4.96	5.48	6.31	7.25
Growth					
Revenue	-12.0%	8.7%	44.1%	26.4%	3.1%
Net Income, adj.	-74.8%	179.4%	333.5%	21.1%	12.2%
Key Ratios					
Current ratio	192.18%	161.98%	125.87%	132.62%	140.53%
Gross profit margin	14.19%	20.12%	25.99%	24.37%	26.01%
Return on average equity	1.19%	3.26%	13.15%	14.13%	13.79%
Liability/asset	58.99%	60.98%	59.04%	61.32%	60.17%
Income statement (thousand RMB)					
	FY12	FY13	FY14	FY15F	FY16F
Operating revenue	11,225	12,196	17,573	22,206	22,904
Profit before tax	207	506	2,109	2,554	2,863
Net profit attributable to equity holders	153	428	1,854	2,245	2,520

Source: PSR

(Financial figures as at 10 June 2015)



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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