

Longi Silicon (601012.CH)

Leader of Monocrystalline Industry

China | New Energy | Company Report

8 September 2015

Company Background

Founded in 2000, the company focuses on the R&D, production and sale of monocrystalline rods and wafers. With over 10 years of development, the company has already become the largest monocrystalline rods manufacturer in the world. As of 2014, the company was able to produce 3GW monocrystalline rods and wafers. According to its plan, the production capacity of the company's monocrystalline ingots and wafers will be doubled to 6GW.

H1 Result was Lower than Expected

The company reported sales of RMB1.679 billion in H1, representing an increase of 15.3% yoy. Net profit attributable to shareholders rose by 5.2% to RMB117 million and EPS was RMB0.07. Compared to the same period last year, the company just recorded a mild profit growth, which was lower than market expectations.

Raising Gross Profit Margin through R&D

In H1, the R&D expenses of the company rose by 42.9% yoy to RMB206 million. As of 30 June 2015, the company was granted a total of 101 national patents. Through applying continuous-fed technology, slicing technology and gold-wire bonding cutting technology in producing solar monocrystalline rods/wafers, operating costs continued to fall. The unit cost of monocrystalline wafer already dropped by 16.9% yoy to RMB1.13/W. In H1, revenue from wafers was RMB1.165 billion, which was the company's largest revenue source, accounting for 69% of total revenue. The gross margin of this segment expanded 4.08%-point yoy to 20.85%. It is expected that the per unit production cost of the company will continue to fall in future.

Valuation

Monocrystalline wafers are gaining market acceptance due to its high conversion efficiency ratio, which is especially suitable for adoption by distributed power generation. We believe there is a trend that monocrystalline wafers will increase its market share. The company is the global leader in monocrystalline wafer manufacturing. It has already started to expand into mid-stream business to produce modules as well as downstream business to construct and operate power plants. We expect it can develop the whole supply chain in future. We recommend a "BUY" rating, with a target price of RMB13.80, which is equivalent to a prospective P/E of 30x. (Closing price as at 3 Sep 2015)

BUY

CMP: CNY 9.19

(Closing price as at 3 Sep 2015)

TARGET: CNY 13.80

COMPANY DATA

O/S SHARES(MN) :	75
MARTKET CAP (CNY BN) :	163
52-WK HI/LO (CNY) :	8.76/70.05

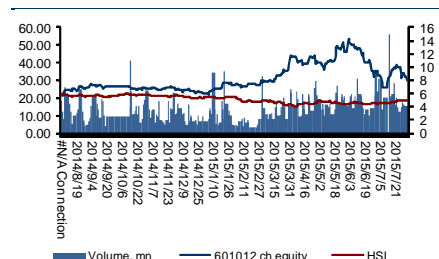
SHARE HOLDING PARTTEN , %

Li Zhenguo	16.71
------------	-------

PRICE PERFORMANCE , %

	1MTH	3MTH	1YR
601012CH	-28.09	-56.63	-55.41
Shanghai Index	-12.22	-20.51	-92.4

PRICE & HSI



Source: Phillip Securities (HK) Research

Key Financial Summary

FYE	12/13	12/14	12/15F	12/16F
Net Profit, adj. (RMB mn)	709	294	454	742
EPS, adj. (RMB)	0.13	0.55	0.28	0.46
P/E (X)	70.7	16.7	32.8	20.0
BVPS (RMB)	5.50	5.88	2.42	2.90
P/B (X)	1.7	1.6	3.8	3.2
DPS (RMB)	0.05	0.13	0.05	0.10
Div. Yield	0.5%	1.4%	0.5%	1.1%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Research Analyst

Zhang Kun

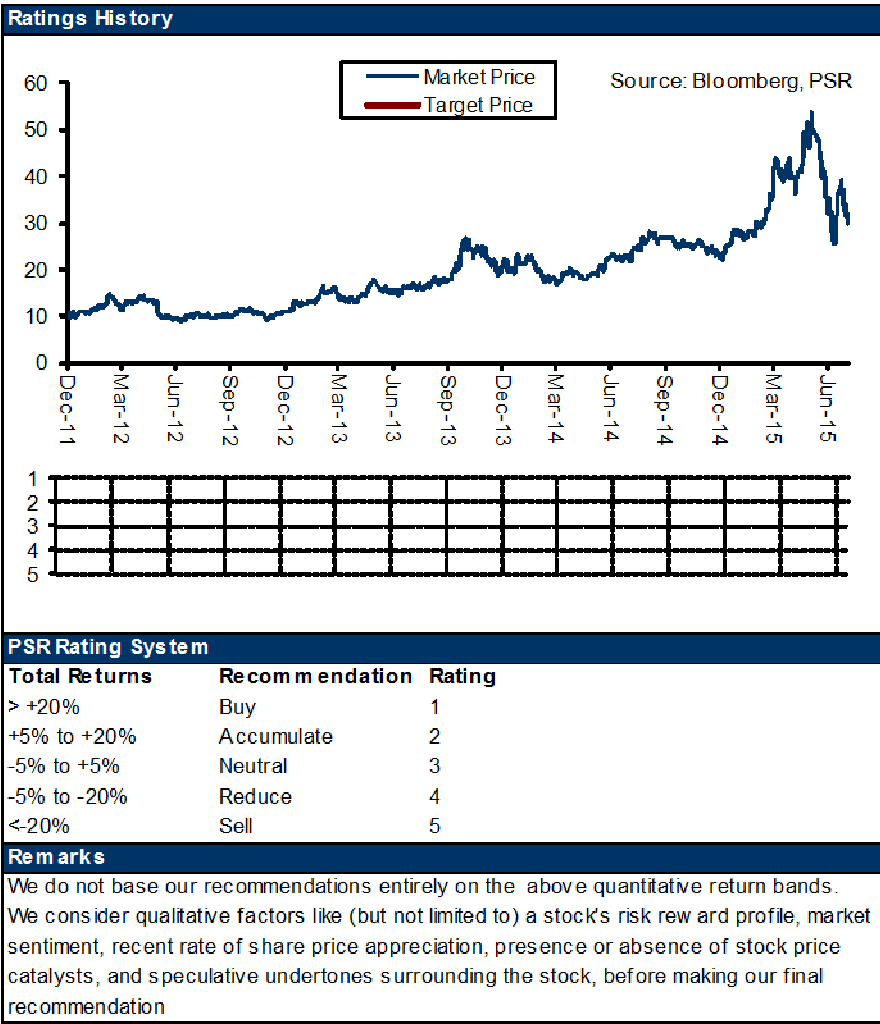
(+ 86 21 51699400-104)

zhangkun@phillip.com.cn

Financials

FYE	FY12	FY13	FY14	FY15F	FY16F
Valuation Ratios					
P/E (X)	(83.5)	70.7	16.7	32.8	20.0
P/B (X)	1.7	1.7	1.6	3.8	3.2
Dividend Payout ratio	0.00%	38.46%	23.64%	17.86%	21.74%
Dividend Yield	0.00%	0.54%	1.41%	0.54%	1.09%
Per share data (RMB)					
EPS, reported	-0.11	0.13	0.55	0.28	0.46
EPS, adj.	-0.11	0.13	0.55	0.28	0.46
DPS	0.00	0.05	0.13	0.05	0.10
BVPS	5.37	5.50	5.88	2.42	2.90
Growth					
Revenue	-15.4%	33.5%	61.4%	63.2%	35.0%
Net Income, adj.	-292.6%	-229.6%	-58.5%	54.4%	63.4%
Key Ratios					
Gross profit margin	13.07%	12.26%	17.01%	19.21%	21.35%
Return on average equity	-2.13%	2.42%	9.48%	10.37%	12.15%
Liability/asset	38.25%	36.16%	49.41%	50.25%	55.37%
Income statement (RMB Mn)					
Operating revenue	1,708	2,280	3,680	6,007	8,109
Profit before tax	(111)	729	293	454	742
Net profit attributable to equity holders	(547)	709	294	454	742

(Financial figures as at 3 Sep 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

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