

Singyes Solar (750.HK)

Still positive on the Company's Development

Hong Kong | New Energy | Update Report

7 October 2015

Earnings Slightly Worse than Expected

The company reported a revenue of RMB2.18 billion, which was down 5% yoy while its gross margin was up by 3.2% yoy to RMB508 million. Net profit attributable to shareholders increased by 7.7% to RMB223 million. EPS was RMB0.32, which was slightly lower than our expectation mainly due to a sharp decline in the revenue from the curtain wall business.

A Significant Decline in the Curtain Wall Business

The reported revenue from the traditional curtain wall business shrank by 34.2% yoy to RMB600 million, of which contribution from commercial and industrial buildings sharply fell by 47.2% yoy to RMB327 million. The main reason was that the lackluster outlook of the commercial and industrial sector led to a significant decline in the scale of construction of this type of projects. The gross margin of the curtain wall business was stable at 15.9%, vs 16.1% achieved in the same period of last year. The company has already developed overseas markets for this business to reduce the risks associated with a slowing domestic economy.

Strong Growth for the Solar EPC Business

The reported revenue of the company's solar EPC business grew by 39% yoy to RMB1.03 billion, which almost offset the decline in the curtain wall business. Its profitability was stable, with gross margin being up by 0.4%-point yoy to 28.7%. On 29 June, the company announced that it obtained approximately 470MW of permits from the Chinese government, from which approximately 350MW of solar EPC order could be brought to the company in H2. Currently, solar operators are competing to expand their business. It is expected that solar EPC order will continue to grow in future.

Valuation

Since 2015, the share price of the company has dropped significantly, which has mainly reflected over pessimism of the market towards the company's curtain wall business as well as issues related to the solar EPC industry, such as a possible increase in grid curtailment and uncertainties over subsidy of solar energy. We have downgraded our target price to HKD8, which is equivalent to a prospective 2016 P/E ratio of 8x. We recommend a "BUY" rating. (Closing price as at 5 Oct 2015)

Buy (Maintain)

CMP: HKD 5.45

(Closing price as at 5 Oct 2015)

TARGET: HKD 8.00

COMPANY DATA

O/S SHARES(MN) :	686
MARTKET CAP (HKD BN) :	82.17
52-WK HI/LO (HKD) :	9.72/ 15.28

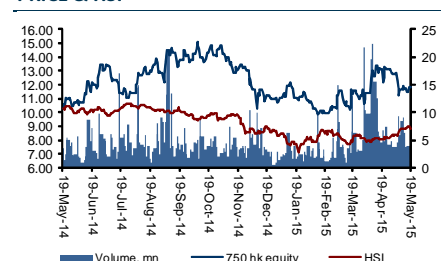
SHARE HOLDING PARTTEN , %

Strong Eagle Holdings Limited	35.28
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PRICE PERFORMANCE , %

	1MTH	3MTH	1YR
750HK	-9.92	18.59	13.46
HSI	-9.7	7.48	-8.06

PRICE & HSI



Source: Phillip Securities (HK) Research

Key Financial Summary

FYE	12/13	12/14	12/15F	12/16F
Net Profit, adj. (RMB 000)	491	584	786	978
EPS, adj. (RMB)	0.75	0.84	1.13	1.41
P/E (X)	12.6	11.2	8.4	6.7
BVPS (RMB)	3.98	4.52	5.66	7.07
P/B (X)	2.4	2.1	1.7	1.3
DPS (RMB)	0.09	0.09	0.10	0.12
Div. Yield	1.0%	1.0%	1.1%	1.3%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

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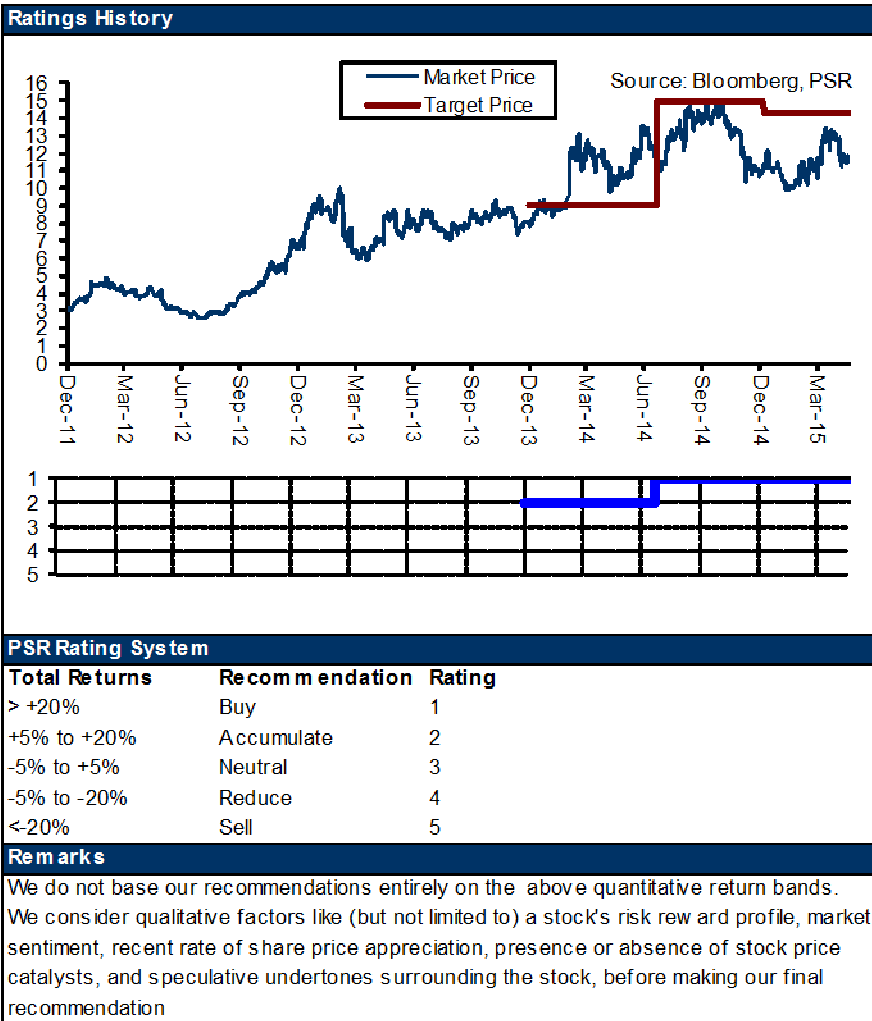
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Financials

For Financial Summary at the end of report

FYE	FY12	FY13	FY14F	FY15F	FY16F
Valuation Ratios					
P/E (X)	18.2	12.6	11.2	8.4	6.7
P/B (X)	3.2	2.4	2.1	1.7	1.3
Dividend Payout ratio	13.44%	12.00%	10.69%	8.85%	8.51%
Dividend Yield	0.74%	0.95%	0.95%	1.06%	1.27%
Per share data (RMB)					
EPS, reported	0.52	0.75	0.84	1.13	1.41
EPS, adj.	0.52	0.75	0.84	1.13	1.41
DPS	0.07	0.09	0.09	0.10	0.12
BVPS	2.92	3.98	4.52	5.66	7.07
Growth					
Revenue	28.7%	34.0%	20.7%	54.1%	17.0%
Net Income, adj.	13.0%	49.3%	19.1%	34.5%	24.4%
Key Ratios					
Gross profit margin	24.19%	23.81%	20.93%	22.00%	23.01%
Net profit margin	10.61%	11.82%	11.66%	10.18%	10.82%
Return on average assets	9.37%	9.47%	8.05%	7.98%	7.84%
Return on average equity	19.45%	22.08%	20.35%	22.25%	22.15%
Liability/asset	54.43%	58.75%	61.75%	65.84%	63.53%
Income statement (thousand RMB)					
Operating revenue	3,098	4,151	5,011	7,724	9,037
Cost of good sell	(2,348)	(3,162)	(3,962)	(6,025)	(6,958)
Gross profit	749	988	1,049	1,699	2,079
Other net profit	21	77	234	50	50
Administrative expenses	(197)	(219)	(271)	(107)	(118)
Selling expenses	(61)	(76)	(89)	(312)	(380)
Other cost	(3)	(34)	(102)	(102)	(102)
Interest expense	(89)	(111)	(238)	(280)	(350)
Profit before tax	420	627	699	948	1,179
Income tax	(93)	(136)	(114)	(161)	(200)
Net profit for the period	327	491	585	787	979
Minority interest	(2)	0	1	1	1
Net profit attributable to equity holders	329	491	584	786	978

(Financial figures as at 5 Oct 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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