

# Longi Silicon (601012.CH)

## Application of monocrystalline became an industrial trend

China | New Energy | Company Report

2 February 2016

### Results forecast beats expectation

Longi has recently released the forecast of 2015 results and the expected figure of net profit attributable to shareholders amounted to RMB470 million to RMB528 million, which indicated a yoy growth of 60-80%. Such figure is also better than previous market expectation. Growth of net profit in 2015Q4 was higher than 100%, which was significantly enhanced.

### Gained successive big orders

Recently, the Company announced the entering of strategic cooperation agreement with six clients including United Photovoltaics Group and Linyang etc. Longi will provide these six clients with monocrystalline wafers, cell pieces and related parts in the upcoming three years, during which 500MW wafers, 500MW cell pieces and 2GW related parts will be delivered in 2016. This will boost the Company's income by RMB10 billion. The amount of orders will even grow bigger in 2017 and 2018. The business results in the upcoming three years would be secured.

### Non-public issuance of shares helps capacity expansion

The Company has recently released a proposal of non-public issuance of shares, which plans to issue not more than 240 million shares at the price not lower than 12.46 yuan per share. Aiming at raising RMB2.98 billion, the capital would be allocated on enhancing production capacity. The production capacity of the Company has expanded quickly in recent years, while substantial expansion of market supply is driven by the significant increase of market demand.

### Valuation

Longi enjoys the leading position in the domestic industry of monocrystalline wafers. The Company experienced fast growth in production capacity in recent years and the number of orders also grew significantly. It proved that monocrystalline wafers had become a key development trend for photovoltaic installations. We maintain a rating of "BUY", with a target price of RMB13.80. (Closing price as at 29 Jan 2015)

### BUY

CMP: CNY 10.41

(Closing price as at 29 Jan 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

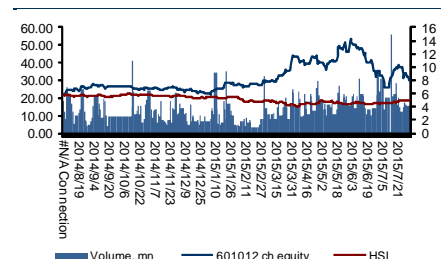
### SHARE HOLDING PARTTEN , %

Li Zhenguo	16.71
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### 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

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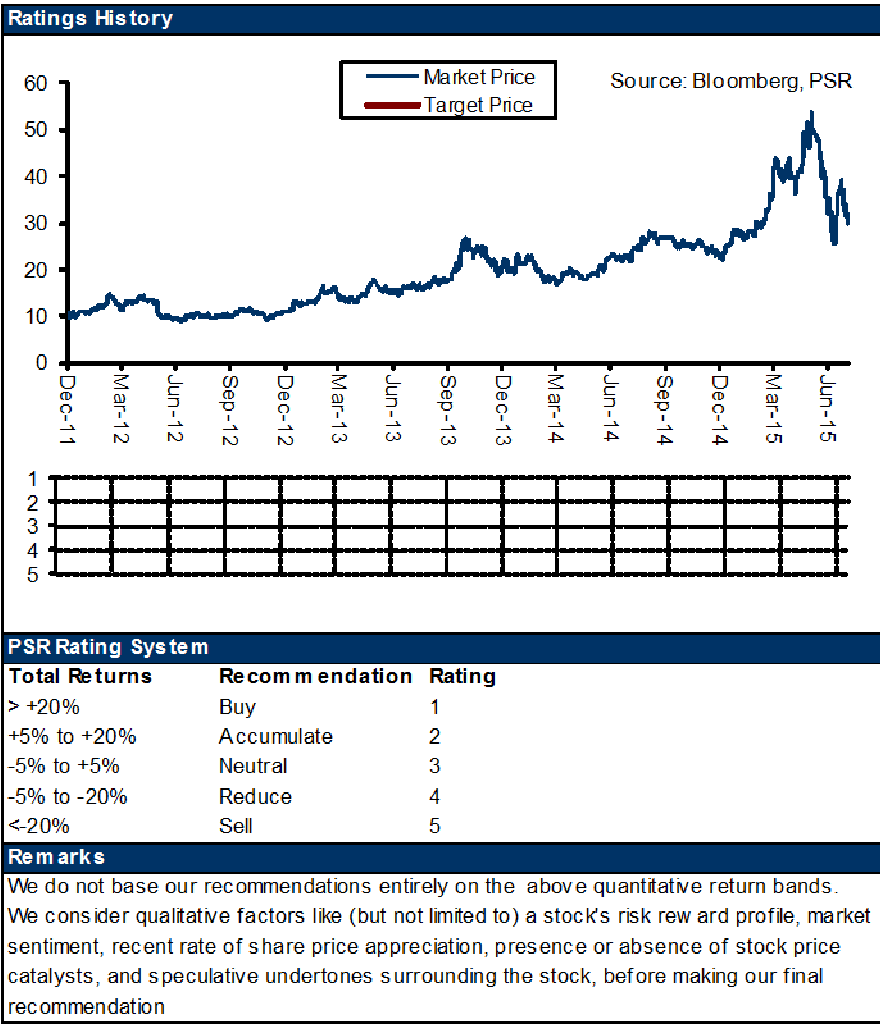
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## Financials

FYE	FY12	FY13	FY14	FY15F	FY16F
<b>Valuation Ratios</b>					
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%
<b>Per share data (RMB)</b>					
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
<b>Growth</b>					
Revenue	-15.4%	33.5%	61.4%	63.2%	35.0%
Net Income, adj.	-292.6%	-229.6%	-58.5%	54.4%	63.4%
<b>Key Ratios</b>					
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%
<b>Income statement (RMB Mn)</b>					
	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15F</b>	<b>FY16F</b>
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 29 Jan 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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