

# Xinjiang Goldwind (2208.HK)

## Continue to lead in the wind power industry of China



Bloomberg | Reuters | POEMS  
2208.HK | 2208.HK | 2208.HK  
Industry: New energy

Phillip Securities Research Pte Ltd

2013-11-26

Rating: Accumulate, CP: HK\$7.23, TP:HK\$8.27

### Introduction of the company

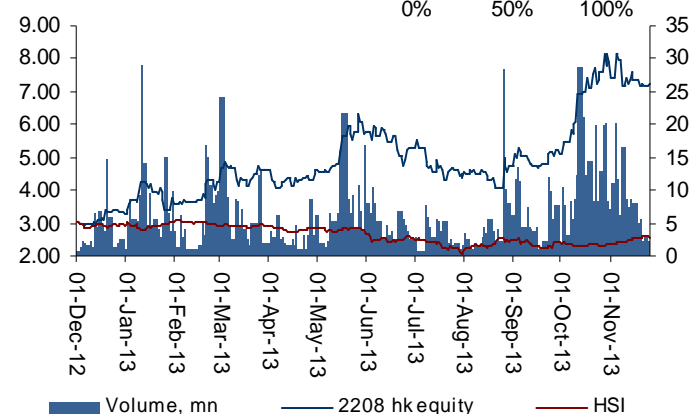
The company is currently the global leading researching and manufacturing enterprise of the wind power equipment and the overall solutions provider of wind power. It is also the national biggest wind power manufacturer and the global biggest researching enterprise for the permanent magnet direct drive wind turbines and simultaneously listed at Shenzhen Stock Exchange and Hong Kong Stock Exchange.

### Summary

- The revenue of the first three quarters of the company amounts to 7,119 million RMB, a year-on-year rise of 19.72%. The total net profit is 188 million RMB, a sharp year-on-year rise of 388%. The reason for the increase of the revenue is the growth in sales caused by the warming of the wing power industry and the profit margin improved by the control of costs.
- The statistics of China Electricity Council, in the first half of the year, 4.1 million kilowatt of wind power generators were installed and integrated. By the end of June, 66.18 million kilowatt of wind power generators had been connected, a year-on-year rise of 25.9%. Generating equipment utilization hours were 1101 hours, a year-on-year rise of 91 hours. We anticipate that in the next few years, as the deterioration of the environmental problems and the urgent need of the state for the clean energy, the integration of wind power will be intensified and the efficiency of wind power will continue to rise. Operators' demand for wind power generators will grow in a moderate way.
- In the first half of this year, 5.5GW of generators were installed, almost the same with last year. However, in the first three quarters of this year, the open bidding capacity of generators amounted to 12.8GW, a year-on-year rise of 121%. It showed that the revival of the wind power industry has made the wind power operator hold a positive attitude for the future. The average bidding price has risen from 3800 yuan per kW in 2012 to over 3900 yuan per kW gradually and it is anticipated that the chance for further increase is slim. We believe our company have competitiveness in prices.
- The gross revenue of production and sales of the wind power generator sets in the first half of 2013 increased from 11.11% of the same period of 2012 to 15.96%. We anticipate that the profit margin of our company will rise in the future.

### SATS Ltd

<b>Rating</b>	<b>2.00</b>	<b>Accumulate</b>
- Previous Rating	0.00	Not Rated
<b>Target Price (HKD)</b>	<b>8.27</b>	
- Previous Target Price (HKD)	0.00	
Closing Price (HKD)	7.23	
Expected Capital Gains (%)	14.4%	
Expected Dividend Yield (%)	1.1%	
<b>Expected Total Return (%)</b>	<b>15.4%</b>	
Raw Beta (Past 2yrs weekly data)	NA	
Market Cap. (HKD bn)	25,957	
Enterprise Value (HKD mn)	NA	
52 w week range (HKD)	2.95 - 8.32	
Closing Price in 52 week range		



### Key Financial Summary

FYE	12/12	12/13F	12/14F	12/15F
Operating Profit (RMB 000)	478,755	733,175	1,095,353	1,301,135
Net Profit, adj. (RMB 000)	153,054	441,289	701,021	847,293
EPS, adj. (RMB)	0.06	0.16	0.26	0.31
P/E (X)	94.7	35.5	21.9	18.3
BVPS (RMB)	4.79	4.94	5.19	5.52
P/B (X)	1.2	1.2	1.1	1.0
DPS (RMB)	0.06	0.05	0.06	0.07
Div. Yield	1.0%	0.9%	1.1%	1.2%

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

### Valuation Method

PE

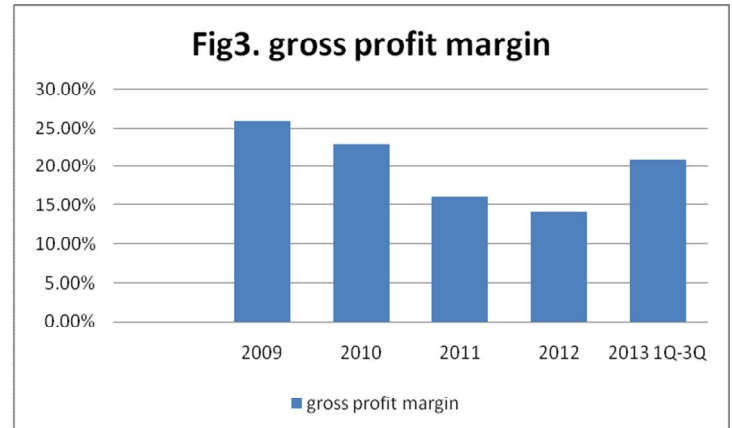
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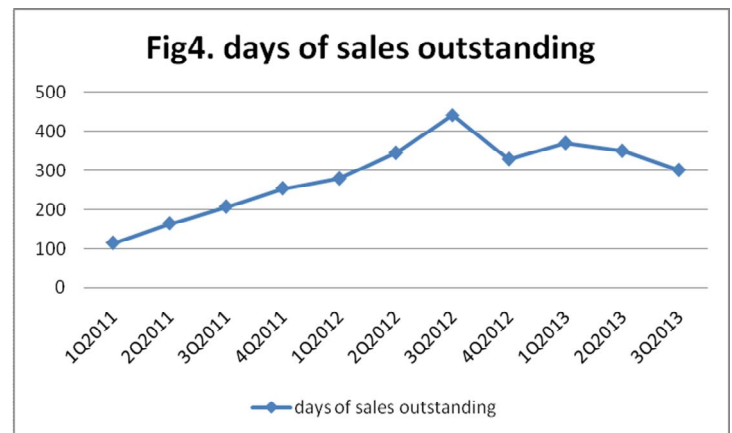
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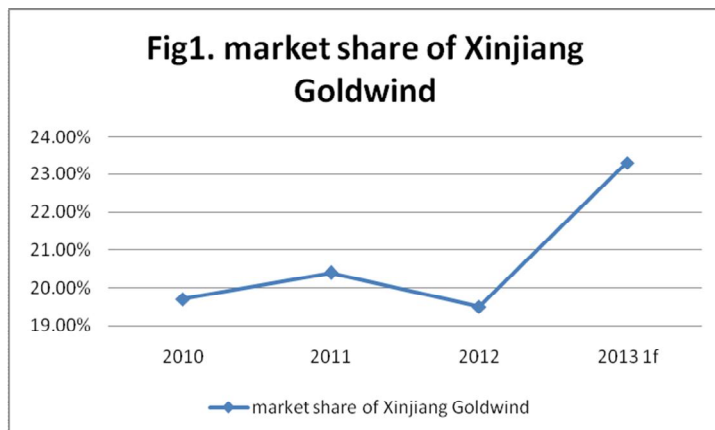
- The cost of sales in the first 3 quarters of this year was 690.74 million yuan, a sharp year-on-year rise of 62.83%, which was because orders in the south had increased. We anticipate that the wind power development trend will incline to the south in the future and the future costs of sales will remain at a relatively high level.
- The inventory of the first three quarters of this year was 5,202.88 million RMB, a rise of 40.57% compared with that on December 31st, 2012. Inventory turnover days had increased from 196 days of the same period last year to 279 days, which indicated that the company had made full preparations for a surge of orders in the future. Days sales outstanding had been decreased from 441 days of the same period last year to 301 days this year. The accelerating of debt payment also proved that the wind power was in good operation and meanwhile guarantee the flow of the company's capital.
- Considering that the company is a leader in the wind power industry and at the front of national and global research and development, and wind power industry is in the stage of reviving, we anticipate that the target price of the next 12 months will be 8.37 HKD, which is equal 25 times of the price earnings ratio of the earnings per share in 2014. The target price is 14.38% higher than current share price. We grant 'accumulate' rating to "Xinjiang Goldwind".



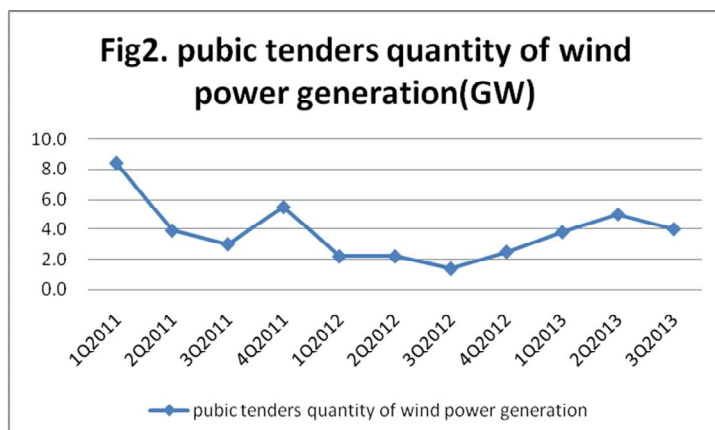
Source: PSR, Company Report



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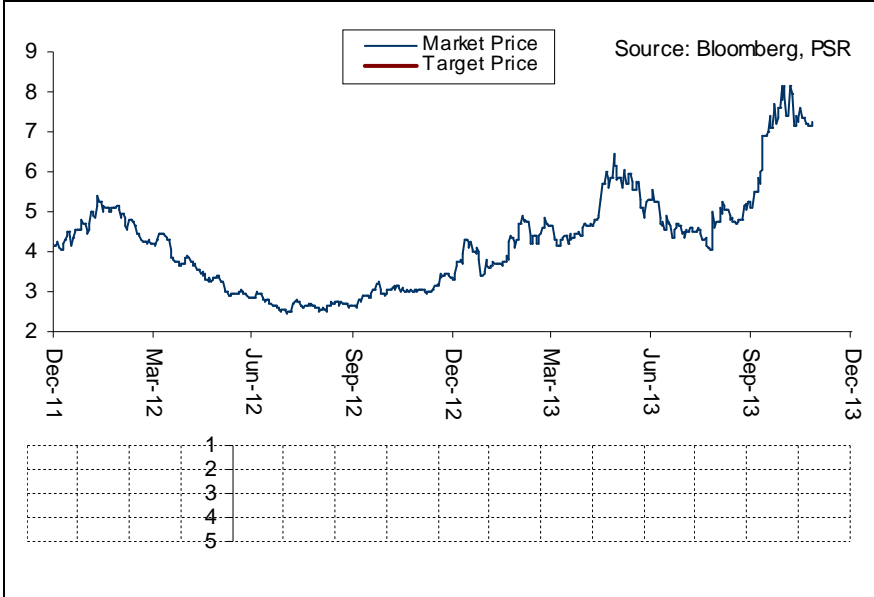
Source: PSR, Company Report

## Financial Status

FYE	FY11	FY12	FY13F	FY14F	FY15F
<b>Valuation Ratios</b>					
P/E (X)	24.7	94.7	35.5	21.9	18.3
P/B (X)	1.2	1.2	1.2	1.1	1.0
Dividend Payout ratio	21.74%	91.67%	31.25%	23.08%	22.58%
Dividend Yield	0.88%	0.97%	0.88%	1.06%	1.23%
<b>Per share data (RMB)</b>					
EPS, reported	0.23	0.06	0.16	0.26	0.31
EPS, adj.	0.23	0.06	0.16	0.26	0.31
DPS	0.05	0.06	0.05	0.06	0.07
BVPS	4.78	4.79	4.94	5.19	5.52
<b>Growth</b>					
Revenue	-27.5%	-12.0%	20.4%	15.0%	15.0%
Operating income	-62.1%	-53.0%	53.1%	49.4%	18.8%
Net Income, adj.	-73.5%	-74.8%	188.3%	58.9%	20.9%
<b>Key Ratios</b>					
Current ratio	161.44%	192.18%	160.67%	153.61%	149.32%
Gross profit margin	16.12%	14.19%	18.55%	19.50%	19.45%
Net profit margin	4.76%	1.36%	3.26%	4.51%	4.74%
Return on average assets	2.01%	0.47%	1.27%	1.78%	1.93%
Return on average equity	4.64%	1.19%	3.37%	5.14%	5.87%
Liability/asset	59.09%	58.99%	63.11%	65.26%	66.66%
<b>Income statement (thousand RMB)</b>					
	<b>FY11</b>	<b>FY12</b>	<b>FY13F</b>	<b>FY14F</b>	<b>FY15F</b>
<b>Operating revenue</b>	<b>12,755,970</b>	<b>11,224,926</b>	<b>13,517,586</b>	<b>15,545,224</b>	<b>17,877,007</b>
Cost of good sell	(10,699,178)	(9,632,600)	(11,010,074)	(12,513,905)	(14,399,041)
<b>Gross profit</b>	<b>2,056,792</b>	<b>1,592,326</b>	<b>2,507,512</b>	<b>3,031,319</b>	<b>3,477,966</b>
Other net profit	770,150	585,554	531,588	531,588	531,588
Administrative expenses	(738,691)	(712,741)	(1,094,893)	(1,149,638)	(1,207,120)
Selling expenses	(990,317)	(876,456)	(1,115,672)	(1,222,556)	(1,405,939)
Other cost	(78,794)	(109,928)	(95,360)	(95,360)	(95,360)
<b>Operating profit</b>	<b>1,019,140</b>	<b>478,755</b>	<b>733,175</b>	<b>1,095,353</b>	<b>1,301,135</b>
Investment income	103,248	120,228	140,000	161,000	185,150
Interest expense	(257,954)	(392,127)	(256,393)	(327,672)	(369,206)
<b>Profit before tax</b>	<b>864,434</b>	<b>206,856</b>	<b>616,782</b>	<b>928,681</b>	<b>1,117,079</b>
Income tax	(146,448)	(41,387)	(108,755)	(150,911)	(181,525)
Effective income tax rate	16.94%	20.01%	17.63%	16.25%	16.25%
<b>Net profit for the period</b>	<b>717,986</b>	<b>165,469</b>	<b>508,027</b>	<b>777,770</b>	<b>935,554</b>
Minority interest	111,279	12,415	66,738	76,749	88,261
<b>Net profit attributable to equity holders</b>	<b>606,707</b>	<b>153,054</b>	<b>441,289</b>	<b>701,021</b>	<b>847,293</b>
Dividend paid	134,729	148,202	134,729	161,675	188,621
<b>Balance Sheet (thousand RMB)</b>					
	<b>FY11</b>	<b>FY12</b>	<b>FY13F</b>	<b>FY14F</b>	<b>FY15F</b>
Cash or cash equivalent	7,596,918	6,817,928	4,959,627	4,959,627	4,959,627
Account receivable	10,299,392	10,114,634	9,789,777	10,277,166	10,791,024
Inventory	5,148,235	3,511,626	5,105,061	5,615,567	6,177,124
Other current assets	2,322,232	3,129,156	4,409,922	5,600,688	6,953,638
PPE	4,579,887	5,366,421	7,939,537	9,315,855	10,692,173
Intangible assets	716,143	739,584	718,318	718,318	718,318
Other non-current assets	1,767,379	2,717,149	4,170,099	5,023,049	5,875,999
<b>Total Assets</b>	<b>32,430,186</b>	<b>32,396,498</b>	<b>37,092,341</b>	<b>41,510,270</b>	<b>46,167,903</b>
Cash payable	7,580,875	8,504,996	9,780,745	11,056,494	12,332,243
Short term loan	5,467,483	389,211	1,084,115	1,138,321	1,195,237
Other current liability	2,664,539	3,372,196	4,237,602	5,026,312	5,815,022
Long term loan	2,574,745	5,715,906	7,280,714	8,845,522	10,410,330
Other non-current liability	874,035	1,128,564	1,024,582	1,024,582	1,024,582
<b>Total Liabilities</b>	<b>19,161,677</b>	<b>19,110,873</b>	<b>23,407,758</b>	<b>27,091,231</b>	<b>30,777,414</b>
Shareholders' equity	12,874,059	12,902,654	13,303,028	13,980,251	14,885,883
Minority interest	394,450	382,971	381,555	438,788	504,606
<b>Total shareholders' equity</b>	<b>13,268,509</b>	<b>13,285,625</b>	<b>13,684,583</b>	<b>14,419,039</b>	<b>15,390,489</b>
Total shareholders' equity and liabilities	32,430,186	32,396,498	37,092,341	41,510,270	46,167,903

Source: PSR

**Ratings History**



**PSR Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

**Remarks**

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

Source: PSR, Bloomberg

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