

Utilities - HK/China (H)

Watt's Up #10: Jinko Solar 4Q results, more scrutiny on US solar imports

Industry Overview

Jinko: Reported 4Q23 net income of RMB1.1bn

Jinko Solar reported preliminary FY23 results after market close on Feb 22nd. 4Q23 net income at RMB1.1bn. Assuming module shipment volume at c.23GW in 4Q vs 21GW in 3Q according to industry source, 4Q unit revenue appears resilient at RMB1.46/W, little change from RMB1.47 in 3Q. However, 4Q net income fell sharply compared to RMB2.5bn in 3Q23. That said, Jinko's earnings look more resilient than Trina Solar.

Recent module price hike talks (+RMB2-4c/W) partly validates our view that solar module price has little room to decline as prices are hovering around our estimate industry integrated cash costs at c.RMB90c/W. But we question the extent and duration of any price hikes as the industry oversupply remains concerning. Recent expansion plans announced by Aiko Solar and Canadian Solar suggest industry discipline remains elusive.

Solar: US stepping up solar import checks

Bloomberg reported on Feb 27th that the US government is stepping up checks on solar imports supply chains to enforce a ban on products linked to Chinese forced labor. An extensive survey about the origins of products was sent to companies by the US Customs and Border Protection. Since Jun 2022, the US has detained US\$2bn worth of electronic products, primarily solar panels according to the news, and about one-quarter of the total was seen as violating the rules after reviewing supply chain documents.

Our checks suggest small manufacturers could be difficult to comply while the top manufacturers have been able to provide the necessary documents to ship to the US market. The high profits in the US market means the manufacturers will be incentivized to ensure shipments, possibly by more non-Chinese polysilicon to avoid detention risks.

Exhibit 1: Preliminary quarterly and annual net income (RMB bn) for Jinko & Trina Solar

Jinko's earnings appear more resilient than Trina

RMB bn	1Q23	2Q23	3Q23	4Q23	4Q22	YoY %	FY23	FY22	YoY %
Jinko	1.7	2.2	2.5	1.1	1.3	-10%	7.5	2.9	155%
Trina	1.8	1.8	1.5	0.5	1.3	-62%	5.6	3.7	51%

Source: Company report

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Gary Tsang >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 6825
gary.tsang@bofa.com

Charlotte Xia >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 5029
charlotte.xia@bofa.com

Cissy Guan >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 6483
cissy.guan@bofa.com

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Exhibit 2: Valuation comparison table for China Utilities and Renewable companies

Selected valuation metrics for utility and renewable sector companies in 2023-25E

		Prices (LCY)		PE		PB			EPS Growth			ROE			Dividend yield		
		2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	
Wind																	
Longyuan -H	916 HK	5.6	6.4	4.9	3.7	0.6	0.6	0.5	38%	32%	33%	10%	12%	14%	3%	4%	5%
Datang Renewables	1798 HK	1.9	5.1	5.3	4.6	0.4	0.4	0.3	-16%	-5%	15%	8%	7%	7%	2%	2%	3%
Goldwind-H	2208 HK	3.1	4.9	4.7	3.7	0.3	0.3	0.3	10%	4%	28%	8%	8%	10%	6%	6%	8%
IPPs																	
China Resources Power	836 HK	16.9	7.5	6.1	5.6	0.9	0.9	0.8	53%	24%	9%	13%	15%	15%	5%	10%	7%
Huaneng-H	902 HK	4.3	5.8	6.6	6.5	0.9	0.8	0.7	n.a.	-13%	1%	18%	13%	12%	9%	8%	8%
Huadian-H	1071 HK	3.8	7.0	6.4	5.8	0.8	0.7	0.6	n.a.	9%	11%	12%	12%	11%	7%	8%	9%
CPID	2380 HK	3.2	10.9	6.9	6.1	0.9	0.8	0.8	20%	58%	12%	8%	12%	13%	5%	8%	9%
Gas																	
ENN Energy	2688 HK	64.9	9.8	10.8	10.4	1.6	1.5	1.3	17%	-9%	4%	18%	14%	13%	4%	4%	4%
China Resources Gas	1193 HK	23.2	8.7	8.8	8.0	1.2	1.1	1.1	27%	-1%	11%	15%	13%	14%	6%	6%	7%
China Gas	384 HK	7.1	9.9	7.6	7.0	0.6	0.6	0.6	-10%	31%	7%	7%	8%	9%	7%	8%	9%
BJ Enterprises Holding	392 HK	30.0	5.4	5.1	4.5	0.4	0.4	0.4	-7%	6%	12%	8%	8%	8%	5%	6%	8%
Environmental protection																	
Everbright Environment	257 HK	3.0	4.1	4.2	4.2	0.4	0.3	0.3	-5%	-2%	0%	9%	8%	8%	8%	8%	8%
BJ Enterprises Water	371 HK	1.9	8.4	8.5	7.9	0.6	0.6	0.5	70%	0%	7%	7%	7%	7%	8%	8%	8%
HK Utilities																	
CK Infrastructure	1038 HK	46.5	16.0	14.7	14.2	1.0	1.0	0.9	-6%	9%	3%	6%	7%	7%	6%	6%	6%
CLP Holdings	2 HK	66.7	25.3	14.2	13.8	1.6	1.6	1.5	620%	78%	3%	6%	11%	11%	5%	5%	5%
Guangdong Investment	270 HK	4.6	7.5	6.9	5.7	0.7	0.7	0.7	-15%	9%	21%	9%	10%	12%	13%	13%	13%

Source: BofA Global Research estimates

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