

## Company Report: IRICO New Energy (00438 HK)

公司报告: 彩虹新能源(00438 HK)

Jun Zhu 朱俊杰

(852) 2509 7592

junjie.zhu@gtjas.com.hk

9 April 2021

# Shangrao Expansion to Boost Sales Volume, Maintain "Buy"

上饶扩产将拉动销量, 维持“买入”

- **The 2020 operating results met our expectation.** IRICO New Energy's revenue in 2020 increased YoY by 12.2% to RMB2,518.5 mn while net earnings attributable to shareholders jumped YoY by 135.8% to RMB219.7 mn. Due to a surge in solar glass price in 4Q2020, the consolidated gross margin in 2020 reached 22.4%, up 10.5 ppt YoY. The Company has completed the asset disposal of the non-solar glass businesses and is to become a pure solar glass manufacturer beginning in 2021.
- **Stock consolidation and capital reduction became effective on 30<sup>th</sup> March 2021.** The Company has completed the reduction of every 20 shares with a par value of RMB1 each to 1 reduced share with a par value of RMB1 each. The total issued share capital was changed to RMB176,322,070 and the total number of shares was likewise reduced to 176,322,070 shares. The Company's temporary stock ticker after the stock consolidation is 02908.HK.
- **Capacity expansion in Shangrao is set to boost the solar glass sales volume.** Amid the expectation of gradual capacity expansion to 9,150 tpd by 2023, solar glass sales volume of IRICO from 2021-2023 are projected to be 102.0 mn sq.m / 178.7 mn sq.m / 301.3 mn sq.m, respectively; blended solar glass ASP for the period is estimated to be RMB28.0/ RMB25.0/ RMB24.2 per sq.m, respectively. Solar glass gross margin is projected to be 30.3% / 26.3% / 25.5% from 2021-2023, respectively. Our revised EPS estimates from 2021-2023 are RMB2.979/ RMB3.452/ RMB4.609, respectively.
- **We reiterate the "Buy" rating on IRICO New Energy but revised our TP to HK\$36.00.** Our TP corresponds to 10.0x/ 8.7x/ 6.5x 2021-2023 PER, respectively.
- **2020 年业绩符合我们的预期。**彩虹新能源于 2020 年的收入同比上升 12.2%至人民币 25.185 亿元, 而股东净利则同比大升 135.8%至人民币 2.197 亿元。因 2020 年 4 季度光伏玻璃价格上涨, 期内的综合毛利率达 22.4%, 同比上升 10.5 个百分点。公司已完成了对其非光伏玻璃资产的处置并将于 2021 年转身成为一家纯光伏玻璃制造商。
- **缩股减资已于 2021 年 3 月 30 日正式生效。**公司已完成每 20 股每股面值人民币 1 元的股份缩减为 1 股每股面值人民币 1 元的操作。注册资本变更为人民币 176,322,070 元, 股份总数亦相应变更为 176,322,070 股。公司在缩股完成后的临时股票代码为 02908.HK。
- **上饶的产能扩张预计将大幅提升光伏玻璃的销量。**在产能逐步扩张至 2023 年末的每天 9,150 吨的预期之下, 公司于 2021 至 2023 年的光伏玻璃销量预计将分别达到 102.0 / 178.7 / 301.3 百万平方米; 期内的光伏玻璃平均售价分别为人民币 28.0 / 25.0 / 24.2 元每平米。光伏玻璃的毛利率预计将在 2021 至 2023 年分别为 30.3% / 26.3% / 25.5%。我们经调整的 2021 至 2023 年的每股盈利预测分别为人民币 2.979 / 3.452 / 4.609 元。
- **我们重申对彩虹新能源“买入”的投资评级但调整其目标价至 36.00 港元。**我们的目标价分别相当于 10.0 倍 / 8.7 倍 / 6.5 倍 2021 至 2023 年市盈率。

Rating:

**Buy**

Maintained

评级:

买入(维持)

6-18m TP目标价:

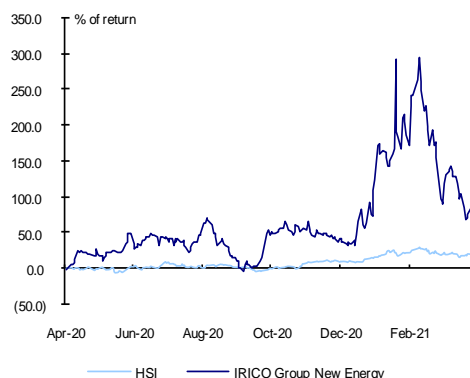
**HK\$36.00**

Share price 股价:

HK\$26.500

## Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(4.9)	(16.2)	88.8
Rel. % to HS Index 相对恒指变动 %	(6.5)	(20.3)	67.8
Avg. Share price(HK\$) 平均股价 (港元)	27.9	35.3	22.6

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2019A	2,245	93	0.834	14.5	28.4	1.684	13.4	0.000	0.0	66.2
2020A	2,519	220	1.649	97.7	13.4	9.904	2.1	0.000	0.0	22.7
2021F	2,526	525	2.979	80.7	7.4	12.637	1.7	0.894	4.0	26.4
2022F	3,953	654	3.452	15.9	6.4	19.080	1.2	0.968	4.4	21.5
2023F	6,443	981	4.609	33.5	4.8	25.422	0.9	1.320	6.0	20.6
Shares in issue (m) 总股数 (m)				176.3	Major shareholder 大股东				CEC 72.4%	
Market cap. (HK\$ m) 市值 (HK\$ m)				4,672.5	Free float (%) 自由流通比率(%)				25.6	
3 month average vol. 3 个月平均成交股数('000)				1,911.3	FY21 Net gearing (%) FY21 净负债/股东资金 (%)				27.0	
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)				56.000 / 12.600	FY21 EV / EBITDA (x) FY21 企业值 / EBITDA (x)				5.8	

Source: the Company, Guotai Junan International.

**The Company's 2020 operating results met our expectation.** IRICO New Energy's (the "Company" or IRICO) revenue in 2020 increased YoY by 12.2% to RMB2,518.5 mn while net earnings attributable to shareholders for the period jumped YoY by 135.8% to RMB219.7 mn. Both the revenue and net profit of the Company in 2020 met our expectation. During the year, IRICO's revenue from solar business and new materials business went up YoY by 12.4% and 15.7%, respectively, to RMB1,791 mn and RMB698 mn; whereas, sales from others dropped YoY by 38.0% to RMB29.9 mn. Solar glass sales in 2020 went up YoY by 25.5% to approximately RMB1,631 mn. Sales volume of solar glass during the period was approximately 61.8 million sq.m, with a blended solar glass ASP of RMB29.84 / sq.m, up YoY by 20.5%. Solar glass gross margin in 2020 was approximately 32.1%, up YoY by 15.4ppt. Due to the increased solar glass sales volume and a rise in the solar selling price in 2H2020, the consolidated gross profit of the Company jumped 111.4% YoY to RMB564 mn, with a gross margin of 22.4% (+10.5ppt YoY). Operating margin was up 3.1ppt YoY to 11.4% while net margin of the Company in 2020 went up 4.6ppt YoY to 8.7%. The Company has completed the disposal of the non-solar glass businesses and is to become a pure solar glass manufacturer beginning in 2021. At the end of 2020, IRICO's daily solar glass capacity reached 2,400 tons per day ("tpd"). With its existing solar glass capacity expansion plans in Hefei and Shangrao, we expect the Company's solar glass capacity to further climb to 9,150 tpd by 2023. The capacity expansions will further solidify the Company's current market position, and it is expected to remain as the 3<sup>rd</sup> largest solar glass producer in China with the gradual commission of new production capacities over the next few years.

**The Company has officially initiated the process of A-share listing.** The Company announced on 7<sup>th</sup> April that, in connection with its proposed A-share offering, it has submitted the registration application for pre-listing tutoring and has been duly accepted by the Shaanxi Regulatory Bureau of the China Securities Regulatory Commission. The implication is that the Company has officially initiated the process of launching the A-share IPO in mainland China. We expect that the A-share IPO will be applied to relevant regulatory authorities in 2H2021 and to be launched in the middle or the 3<sup>rd</sup> quarter of 2022. Due to the growing demand for solar materials globally, we expect the A-share IPO of IRICO New Energy to be a highly successful one and believe that the development of IRICO will enter a new stage of rapid growth. We have confidence that IRICO could replicate the success story of Flat Glass.

**Stock consolidation and capital reduction became effective on 30<sup>th</sup> March 2021.** The Company has completed the reduction of every 20 shares with a par value of RMB1 each to 1 reduced share with a par value of RMB1 each. The total issued share capital was changed to RMB176,322,070 and the total number of shares was likewise reduced to 176,322,070 shares, of which 80,073,400 shares are domestic shares and 96,248,670 shares are overseas shares. The credit arising as a result of the stock consolidation will be used to recover the accumulated loss of the Company with the remaining amount to be credited to the capital reserve account of the Company. The Company's temporary ticker following the stock consolidation is 02908.HK.

**The construction of the Shangrao Phase I Project has begun on March 2021.** The Shangrao Expansion is comprised of ten 1,000 tpd of solar glass furnaces and the first phase project will consist three 1,000 tpd production lines that are set to be commissioned in mid-2022. Immediately after the launch of Shangrao Phase I Project, the construction of the Shangrao Phase II Project (which will be another three 1,000 tpd production lines) will commence. The construction period of the Phase II Project is expected to be shortened to approximately 12 months, compared to 16 months for the Phase I Project. Thus, we expect the Phase II Project to be commissioned in mid-2023. IRICO's total solar glass production capacity is expected to increase by 6,000 tpd between 2022 and 2023 as a result of the Shangrao Expansion.

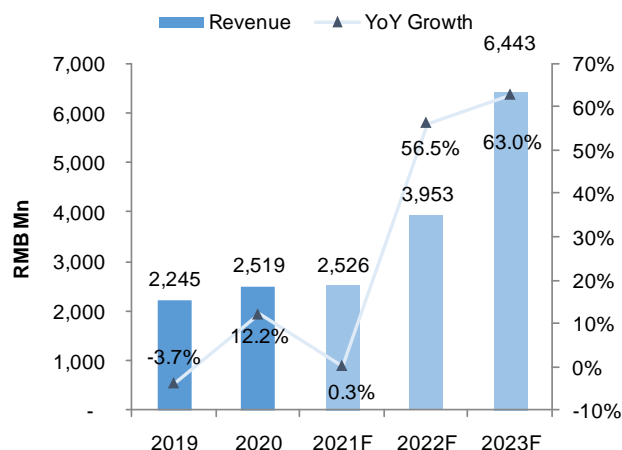
**Solar glass selling price retreated from its peak of RMB42 per sq.m in the beginning of 2021 to RMB28 per sq.m in April 2020.** Following experiencing a rapid price hike in 4Q2020, the 3.2 mm processed solar glass price started 2021 at RMB42 per sq.m and fell to RMB40 per sq.m in March 2021. The quotation for April 2021 dropped substantially by approximately 30% MoM to RMB28 per sq.m, which is still 7.7% higher than the price at the same period of 2020. Key reasons behind the sudden price decline include: 1) the sharp rise in the price of upstream solar materials (particularly poly-silicon) in 1Q2021 has seriously undermined the profitability of the downstream solar module makers (the main customers of solar glass), which has already led to a decrease in solar module production recently; 2) the accelerated launch of new solar glass production capacity within the industry in 1Q2021 has caused a dramatic rise in solar glass supply (nationwide solar glass production capacity increased by nearly 14.2% from the end of 2020 to 33,730 tpd by the end of March 2021); and 3) major solar glass players in the industry have decided to reduce their selling price voluntarily to help ease the operating pressure of solar module makers. Our own industry research reveals that most of the solar module producers are already operating at a loss in March 2021 due to the price hike in

upstream solar materials driven by the surging poly-silicon price. YTD average selling price of poly-silicon jumped YoY by 86.7% due to a shortage in its supply, similar to what happened to solar glass in 2020. We expect the current solar glass price at RMB28 per sq.m to hold for some time, but price may continue to be under pressure if the increase in solar glass supply in 2021 couldn't be met with similar scale in demand. Inventory level of solar glass at the end of March 2021 has surged to approximately 3 weeks.

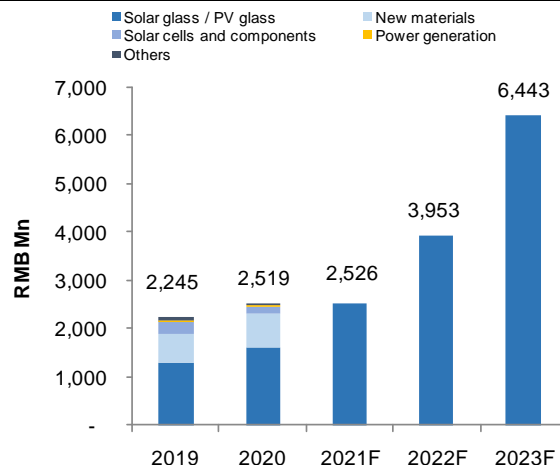
**Net earnings to shareholders are projected to keep growing in the next few years despite the retreat of solar glass price.**

Although the selling price of the 3.0mm processed solar glass is expected to be in the range of between RMB25 and RMB28 per sq.m in the foreseeable future, we expect IRICO to record significant growth in both revenue and net earnings from 2021 to 2023. Following the non-solar glass asset disposals, only solar glass business will remain on the P&L of IRICO beginning in 2021. We estimate the revenue of IRICO to increase from RMB2,2518 mn in 2020 to RMB6,443 mn by 2023, representing a CAGR of 36.8% from 2020 to 2023. Solar glass revenue is projected to grow from approximately RMB1,631 mn in 2020 to RMB2,526 mn / RMB3,953 mn / RMB6,443 mn from 2021 to 2023, respectively, representing YoY growth of 54.8% / 56.5% / 63.0%, respectively. The sharp rise in the revenue in the forecast period is mainly due to the projected increase in solar glass sales volume amid a low solar glass ASP during the period. Based on the Company's current expansion plans (mostly in Shangrao), we estimate that its solar glass daily melting capacity to increase to 3,150 / 6,150 / 9,150 tpd from 2021 to 2023, respectively, implying a CAGR of 56.2% from 2,400 tpd at the end of 2020. The Company sold approximately 61.8 mn sq.m of solar glass in 2020, and, with IRICO's capacity expansion plans, we expect its solar glass sales volume from 2021 to 2023 to be 102.0 mn sq.m / 178.7 mn sq.m / 301.3 mn sq.m, respectively. Sales mix of the thin glass products is expected to rise to approximately 20% / 25% / 28% of total solar glass sales volume from 2021 to 2023, respectively, up from approximately 15% in 2020. Meanwhile, we expect the ASP of 3.2mm processed glass to be RMB28.7 / RMB26.0 / RMB25.0 per sq.m from 2021 to 2023, respectively; while the 2.0mm thin glass product ASP is estimated to be RMB25.0 / RMB22.0 / RMB22.0 per sq.m from 2021 to 2023, respectively. Thus, the blended solar glass ASP of IRICO is expected to fall from approximately RMB29.8 per sq.m in 2020 to RMB28.0 / RMB25.0 / RMB24.2 per sq.m from 2021 to 2023, respectively. Although the solar glass is expected to remain low, we expect IRICO's growth to be mainly driven by its surging sales volume from 2021 to 2023 brought by the capacity expansion as well as rise in sales mix of thin glass products. Solar glass gross margin is projected to fall from approximately 32.1% in 2020 to 30.3% / 26.3% / 25.5% from 2021 to 2023, respectively. It is important to note that the thousand-ton level new production lines to be launched in Shangrao will achieve lowest cost within the solar glass industry and are set to significantly reduce the average production cost of IRICO over next few years, matching with the production costs of its two closest peers listed in HongKong (i.e. Xinyi Solar and Flat Glass). All in all, net profit to shareholders from 2021 to 2023 is estimated to be RMB525.3 mn / RMB654.4 / RMB981.2 mn, respectively, representing YoY growth of 139.1% / 24.6% / 50.0%. Our revised EPS estimates from 2021 to 2023 thus are RMB2.979 / RMB3.452 / RMB4.609, respectively.

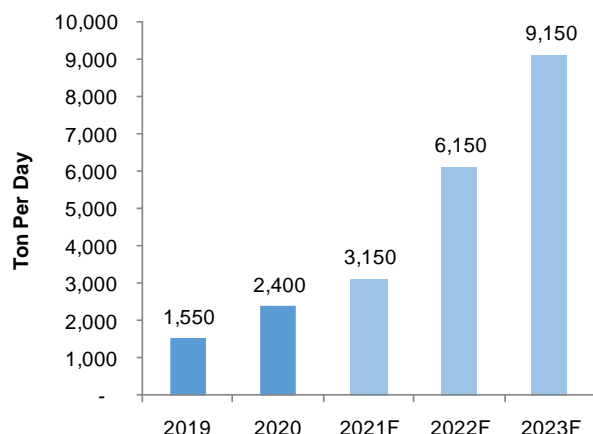
**We maintain "Buy" investment rating for IRICO New Energy (438.HK) but adjust the TP to HK\$36.00.** The Company was ranked as the 3<sup>rd</sup> largest solar glass manufacturer in China and is aiming to add ten 1,000 tpd production lines through the Shangrao Expansion. With its existing capacity expansion plans, we expect the solar glass capacity of IRICO to substantially increase from 2,400 tpd in 2020 to 3,150 / 6,150 / 9,150 tpd from 2021 to 2023, respectively. Looking into the 14<sup>th</sup> Five-Year Plan period, we forecast domestic market solar capacity additions to be between 40 GW and 60 GW per year (or an average of 50 GW per year). Globally, following adding approximately 130 GW in 2020, we expect newly installed solar capacity to be 150 GW / 180GW / 230 GW from 2021 to 2023, respectively. With the rising competitiveness of solar energy, we are bullish on the outlook of solar industry as well as on that of IRICO. We therefore reiterate the investment rating of "Buy" but adjust our TP to HK\$36.00, which corresponds to 10.0x / 8.7x / 6.5x 2021-2023 PER or 2.4x / 1.6x / 1.2x 2021-2023 PBR, respectively. Taking into consideration of IRICO's closest peers listed in the Hong Kong market, we think such a target valuation is conservative for IRICO. The weighted average valuation of Xinyi Solar (968.HK) and Flat Glass (6865.HK) is currently at 17.1x / 15.2x / 12.9x 2021-2023 PER or 4.0x / 3.3x / 2.8x 2021-2023 PBR, respectively.

**Figure-1: Projected Revenue – IRICO**


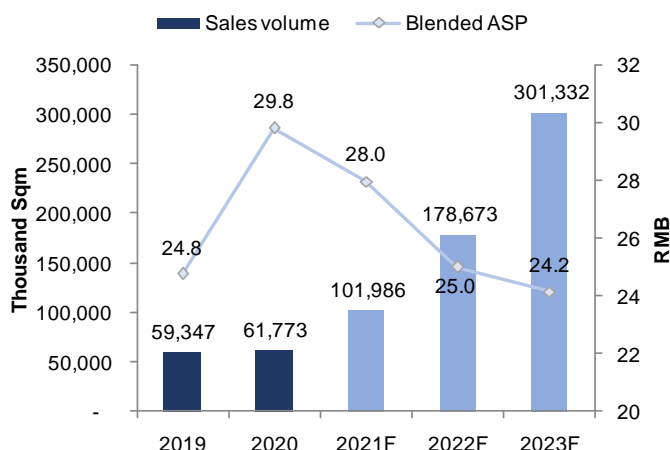
Source: the Company, Guotai Junan International.

**Figure-2: Revenue Breakdown – IRICO**


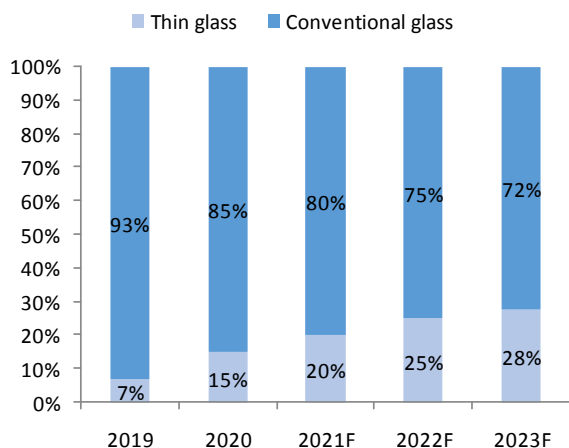
Source: the Company, Guotai Junan International.

**Figure-3: Solar Glass Capacity – IRICO**


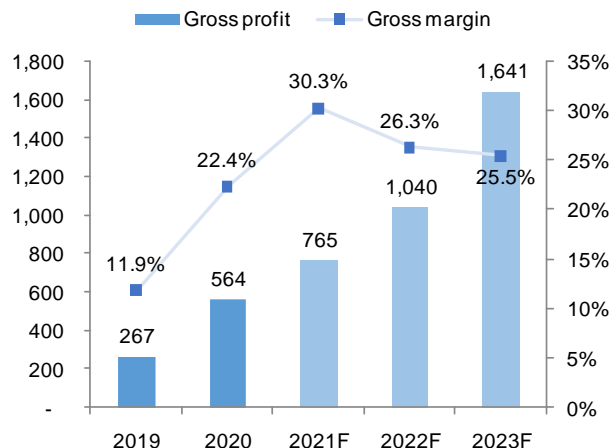
Source: the Company, Guotai Junan International.

**Figure-4: Solar Glass Sales Volume – IRICO**


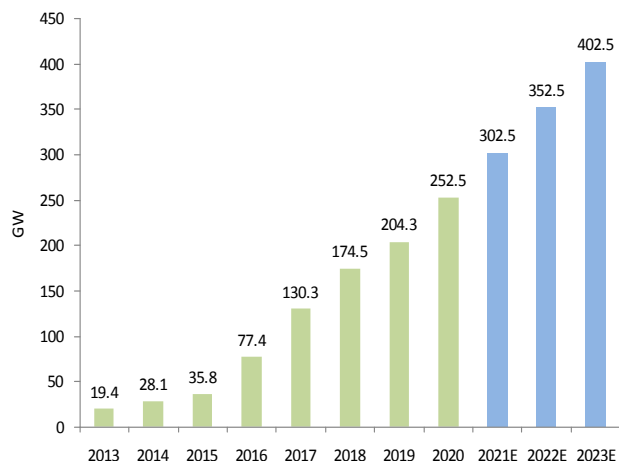
Source: the Company, Guotai Junan International.

**Figure-5: Solar Glass Sales Mix – IRICO**


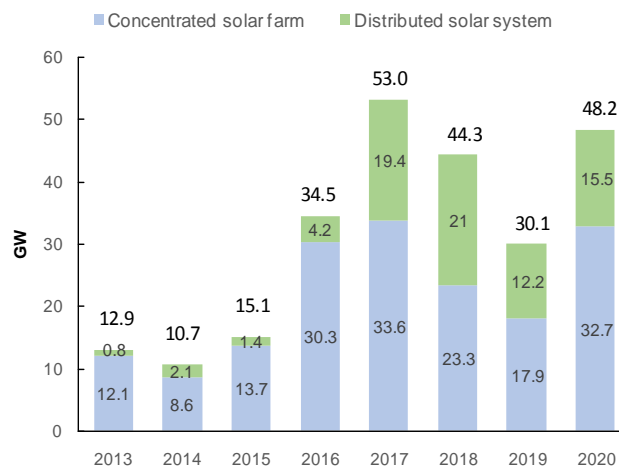
Source: the Company, Guotai Junan International.

**Figure-6: Gross Profit and Gross Margin – IRICO**


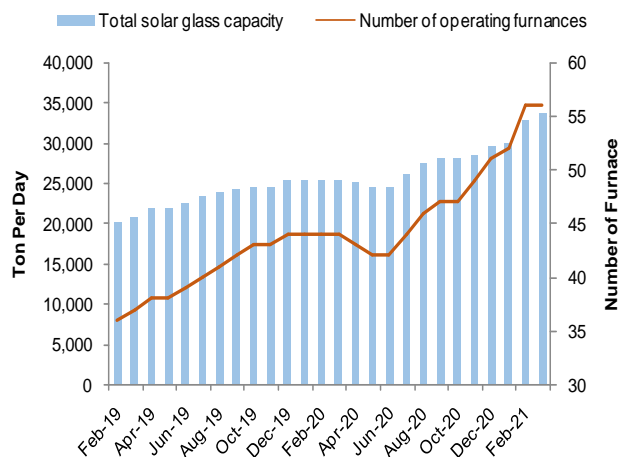
Source: the Company, Guotai Junan International. \*note: solar glass gross margin reached approximately 32.1% in 2020.

**Figure-7: China's Cumulative Solar Capacity Forecast**


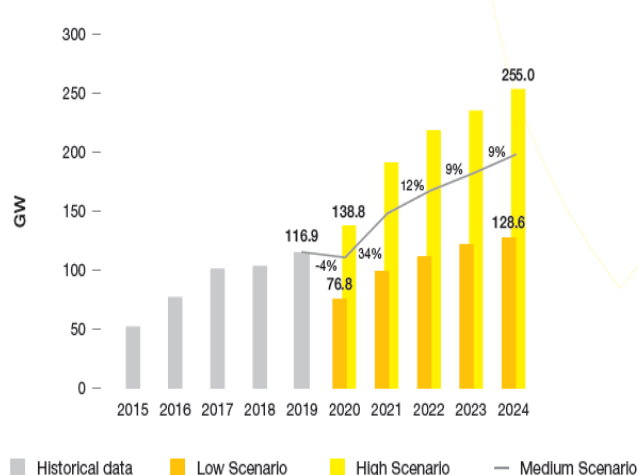
Source: NEA, Guotai Junan International.

**Figure-8: Historical Annual Solar Installations in China**


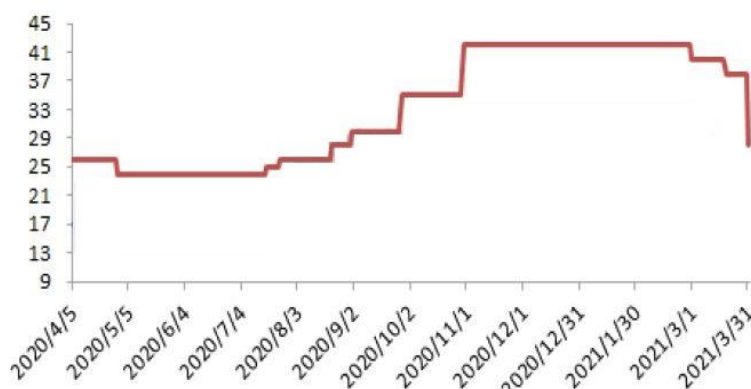
Source: NEA, Guotai Junan International.

**Figure-9: Nationwide Total Solar Glass Melting Capacity**


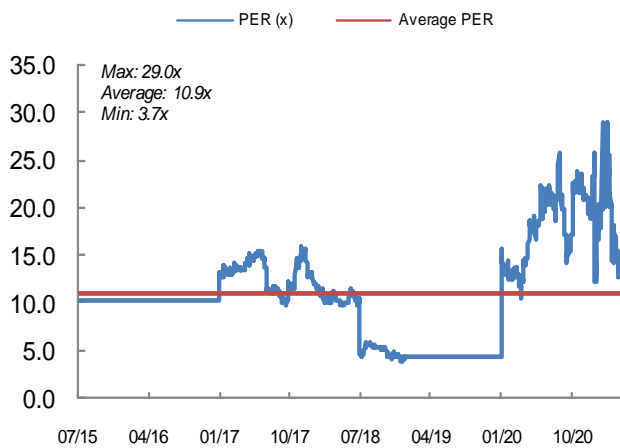
Source: SCI, Guotai Junan International.

**Figure-10: Global New Solar Installations Forecast**


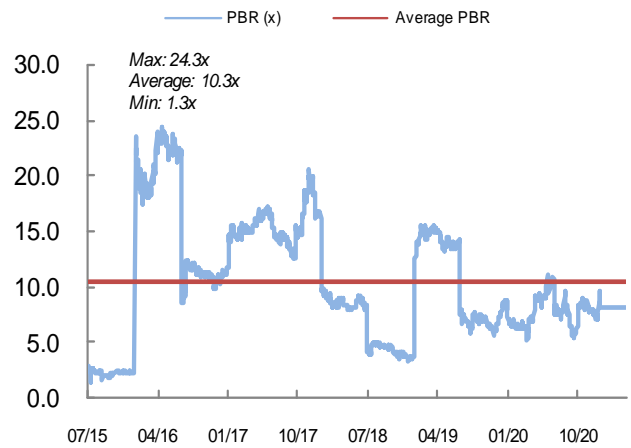
Source: SolarPower Europe.

**Figure-11: Price of 3.2mm Processed Solar Glass in China**


Source: SCI, Guotai Junan International. \* Unit: RMB/sq.m.

**Figure-12: Historical PER – IRICO**


Source: Bloomberg, Guotai Junan International.

**Figure-13: Historical PBR – IRICO**


Source: Bloomberg, Guotai Junan International.

**Table-1: Peers Comparison**

Company	Stock Code	Currency	Last price (in local \$)	PER				PBR				ROE(%)	EV/EBITDA(x)	Market Cap
				20A	21F	22F	23F	20A	21F	22F	23F	21F	21F	HK\$ mn
Solar Cell & Module														
Canadian Solar Inc	CSIQ US	USD	45.72	18.6	17.6	14.2	12.7	1.7	1.4	1.2	1.1	10.1	8.2	21,001
Jinko Solar Holding Co-Adr	JKS US	USD	39.73	12.9	12.0	9.7	n.a.	1.0	0.9	0.8	n.a.	10.9	8.2	14,462
Renesola Ltd-Adr	SOL US	USD	10.68	n.a.	74.7	34.8	15.9	3.8	n.a.	n.a.	n.a.	n.a.	n.a.	5,782
Simple Average				15.7	34.8	19.6	14.3	2.2	1.1	1.0	1.1	10.5	8.2	
Weighted Average				16.3	23.6	15.5	13.4	1.8	1.2	1.0	1.1	10.4	8.2	
Solar Glass - A Share Peers														
Almaden Stock Co-A	002623 CH	CNY	34.55	46.4	21.1	12.5	n.a.	2.5	2.2	1.8	n.a.	10.8	n.a.	6,562
Ancal Hi-Tech Co-A	600207 CH	CNY	5.63	43.7	n.a.	n.a.	n.a.	2.8	n.a.	n.a.	n.a.	n.a.	n.a.	5,767
Csg Holding Co Ltd- A	000012 CH	CNY	7.23	23.9	20.3	15.4	n.a.	2.2	2.0	1.8	n.a.	8.9	n.a.	20,261
Flat Glass Group Co Ltd-A	601865 CH	CNY	26.92	32.4	22.9	18.7	15.5	7.6	5.8	4.4	3.5	27.6	16.0	65,140
Simple Average				36.6	21.5	15.5	15.5	3.8	3.3	2.7	3.5	15.8	16.0	
Weighted Average				32.3	22.2	17.5	15.5	5.8	4.7	3.7	3.5	22.3	16.0	
Solar Glass - H Share Peers														
Flat Glass Group Co Ltd-H	06865 HK	HKD	24.30	26.0	17.1	14.0	11.0	5.8	4.4	3.5	2.7	28.8	15.7	65,140
Irico Group New Energy Com-H	00438 HK	HKD	25.30	13.6	5.5	4.0	n.a.	2.2	1.7	1.0	n.a.	34.6	n.a.	4,461
Luoyang Glass Company Ltd-H	01108 HK	HKD	6.95	10.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7,833
Xinyi Solar Holdings Ltd	00968 HK	HKD	13.40	24.2	17.1	15.9	14.0	4.5	3.7	3.2	2.9	23.4	13.2	118,044
Simple Average				18.6	13.2	11.3	12.5	4.2	3.3	2.6	2.8	28.9	14.4	
Weighted Average				24.0	16.8	15.0	12.9	4.9	3.9	3.3	2.8	25.5	14.1	

 Source: Bloomberg, Guotai Junan International. Updated as of April 8<sup>th</sup> 2021.



**Financial Statements and Ratios**

Income Statement					
Year end 31 Dec (RMB mn)	2019A	2020A	2021F	2022F	2023F
Total Revenue	2,245	2,519	2,526	3,953	6,443
COGS	(1,978)	(1,955)	(1,761)	(2,913)	(4,802)
Gross profit	267	564	765	1,040	1,641
Selling and marketing expenses	(70)	(86)	(63)	(99)	(161)
Administrative expenses	(128)	(166)	(126)	(198)	(322)
R&D expenditure	(50)	(67)	(58)	(79)	(129)
Other gains and losses	(3)	(10)	45	49	55
Other income	170	52	89	104	109
Operating Profit	185	288	652	817	1,192
Finance cost	(109)	(117)	(51)	(47)	(45)
Profit Before Tax	76	171	600	770	1,148
Income Tax	(2)	30	(75)	(115)	(166)
Profit After Tax	74	202	525	654	981
Non-controlling Interest	19	18	0	0	0
Shareholders' Profit / Loss	93	220	525	654	981
Basic EPS (RMB)	0.834	1.649	2.979	3.452	4.609
DPS (RMB)	0.000	0.000	0.894	0.968	1.320

Cash Flow Statement					
Year end 31 Dec (RMB)	2019A	2020F	2021F	2022F	2023F
Operating activities					
Net income	93	220	525	654	981
D&A	126	127	125	121	210
Change in working capital	244	303	(419)	266	471
Minority interest	(19)	(18)	0	0	0
Deferred income	(6)	(3)	2	(1)	0
Other operating activities	(10)	(53)	(13)	(68)	(42)
Cash from Operating Activities	428	575	219	972	1,620
Investing activities					
Capital expenditure	(269)	(398)	(716)	(2,000)	(2,500)
Proceeds from disposal of PPE	32	34	596	33	58
Investment in JV and associates	(15)	183	(98)	45	(28)
Investment in financial assets	(1)	(58)	11	(25)	(8)
Addition of intangible assets	27	(29)	(22)	(24)	(26)
PPE impairments	88	82	85	84	84
Other investing activities	(29)	285	128	134	141
Cash from Investing Activities	(168)	100	(16)	(1,753)	(2,278)
Financing activities					
Dividends paid	0	0	0	(158)	(196)
Debt raised / (repaid)	(37)	(1,638)	(117)	(33)	(38)
Interest paid	(109)	(117)	(51)	(47)	(45)
Proceeds from stocks issued	0	1,294	0	1,182	1,050
Other financing activities	(80)	67	(71)	(74)	(78)
Cash from Financing Activities	(226)	(393)	(239)	870	693
Net Changes in Cash	35	282	(36)	89	35
Adjustments	242	31	0	0	0
Cash at Beg of Year	129	405	718	682	771
Cash at End of Year	405	718	682	771	805

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (RMB)	2019A	2020A	2021F	2022F	2023F
PPE	2,414	2,401	2,316	4,083	6,237
Intangible assets	242	180	197	216	237
Goodwill	37	0	0	0	0
Interest in JVs and associates	194	12	110	65	93
Other investments in equity instruments (financial assets)	251	309	298	323	331
Other non-current assets	42	75	42	58	50
Total Non-current Assets	3,181	2,976	2,963	4,746	6,948
Cash & Cash Equivalents	405	718	682	771	805
Trade receivables	451	238	308	593	1,031
Inventories	155	179	176	320	576
Prepayments	41	41	41	64	104
Other current assets	679	832	1,017	1,027	1,060
Total Current Assets	1,731	2,007	2,225	2,775	3,577
Total Assets	4,912	4,984	5,188	7,521	10,524
ST debt	584	675	319	371	422
Other payables	1,574	80	130	170	200
Current portion of LT debt	533	305	355	155	105
Trade payables	1,413	1,653	1,497	2,185	3,361
Contract liabilities	46	65	58	96	158
Other current liabilities	36	45	40	42	41
Total Current Liabilities	4,187	2,822	2,399	3,019	4,288
LT debt	132	230	250	300	244
LT payables	213	109	229	254	240
Deferred income	70	67	69	68	68
Lease liabilities	11	6	6	6	7
Other non-current liabilities	10	4	7	6	6
Total Non-current Liabilities	436	416	561	634	566
Total Liabilities	4,623	3,238	2,960	3,653	4,854
Total Shareholders' Equity	188	1,746	2,228	3,869	5,670
Minority Interest	101	0	0	0	0
Total Equity	289	1,746	2,228	3,869	5,670
BPS (RMB)	1.684	9.904	12.637	19.080	25.422

Financial Ratios					
	2019A	2020A	2021F	2022F	2023F
Gross margin (%)	11.9	22.4	30.3	26.3	25.5
EBITDA margin (%)	13.9	17.7	30.7	23.7	21.8
EBIT margin (%)	8.3	11.4	25.8	20.7	18.5
Net margin (%)	4.1	8.7	20.8	16.6	15.2
ROE (%)	66.2	22.7	26.4	21.5	20.6
ROA (%)	1.9	4.4	10.3	10.3	10.9
EV / EBITDA (x)	19.6	9.1	5.1	4.1	2.7
EV / EBIT (x)	33.0	14.1	6.1	4.7	3.2
Gearing ratio (%)	94.2	44.5	36.5	24.4	17.6
Inventory turnover (day)	28.5	33.4	36.5	40.2	43.8
Trade receivable turnover (day)	73.3	34.5	44.5	54.8	58.4
Trade payable turnover (day)	260.8	308.6	310.3	273.8	255.5
Quick ratio (x)	0.3	0.5	0.6	0.6	0.6
Current ratio (x)	0.4	0.7	0.9	0.9	0.8

## Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

## Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

## DISCLOSURE OF INTERESTS

- (1) The Analysts and their associates do not serve as an officer of the issuer mentioned in this Research Report.
- (2) The Analysts and their associates do not have any financial interests in relation to the issuer mentioned in this Research Report.
- (3) Except for GUOTAI JUNAN I (01788 HK), JINSHANG BANK (02558 HK), HAITIAN ANTENNA (08227 HK), Guotai Junan and its group companies do not hold equal to or more than 1% of the market capitalization of the issuer mentioned in this Research Report.
- (4) Guotai Junan and its group companies have had investment banking relationships with the issuer mentioned in this Research Report within the preceding 12 months.
- (5) Guotai Junan and its group companies are not making a market in the securities in respect of the issuer mentioned in this Research Report.
- (6) Guotai Junan and its group companies have not employed an individual serving as an officer of the issuer mentioned in this Research Report. There is no officer of the issuer mentioned in this Research Report associated with Guotai Junan and its group companies.

## DISCLAIMER

This Research Report does not constitute an invitation or offer to acquire, purchase or subscribe for securities by Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan"). Guotai Junan and its group companies may do business that relates to companies covered in research reports, including investment banking, investment services, etc. (for example, the placing agent, lead manager, sponsor, underwriter or invest proprietarily).

Any opinions expressed in this report may differ or be contrary to opinions or investment strategies expressed orally or in written form by sales persons, dealers and other professional executives of Guotai Junan group of companies. Any opinions expressed in this report may differ or be contrary to opinions or investment decisions made by the asset management and investment banking groups of Guotai Junan.

Though best effort has been made to ensure the accuracy of the information and data contained in this Research Report, Guotai Junan does not guarantee the accuracy and completeness of the information and data herein. This Research Report may contain some forward-looking estimates and forecasts derived from the assumptions of the future political and economic conditions with inherently unpredictable and mutable situation, so uncertainty may contain. Investors should understand and comprehend the investment objectives and its related risks, and where necessary consult their own financial advisers prior to any investment decision.

This Research Report is not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Guotai Junan and its group companies to any registration or licensing requirement within such jurisdiction.

© 2021 Guotai Junan Securities (Hong Kong) Limited. All Rights Reserved.  
 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.  
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793  
 Website: www.gtja.com.hk