

FLASHNOTE

29 February 2016

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Xinjiang Goldwind (2208 HK / 002202 CH)

H/A: Buy/Hold: Solid FY15 results

- Goldwind's FY15 preliminary net earnings of RMB2,849m were up 55.7% y-o-y, beating HSBCe by 5%
- Strong results confirm strong volume shipment and sustainable margin
- Reiterate Buy/Hold for H/A, with TPs of HKD20.10/RMB17.03

Investment thesis: As a leading Chinese wind turbine maker, Goldwind stands out from its domestic peers for its high quality products and strategic downstream move. It is positioned to expand its share of an expanding pie from 21% in FY14 to 28% in FY17e. We reiterate Buy on the H-shares as the stock is trading at an implied 2016e PE of 6.8x, below its three-year historical average (vs 8-17x for its peers).

Unaudited FY15 preliminary results: FY15 revenue was RMB30,062m, up 69.8% y-o-y. Attributable net earnings were RMB2,849m, up 55.7% y-o-y and beating HSBCe by 5%. This implies strong 4Q15 revenue of RMB11,571m, up 66% y-o-y and contributing 38% to FY15 revenue, as a result of the peak delivery season in 4Q. The implied 4Q15 net earnings were RMB742m, up 16.8% y-o-y and contributing 26% to FY15 net earnings. This could be due to a slight negative impact from the wind farm business as a result of Xinjiang's local grid curtailment issue in 4Q15 (i.e. grid operators using less wind power than is potentially available due to excess power supply). **Stable net margin:** Goldwind maintained a sustainable net margin of 10.5% in FY15 versus 10.4% in FY14.

Goldwind will release the full FY15 results on 29 March 2016 and hold a post-results briefing at 2pm on 30 March 2016 at Unit 3307, The Center, 99 Queen's Road Central, Hong Kong.

Valuation: Our estimates and target prices are unchanged. Our H-share target price of HKD20.10 is based on a DCF methodology, using an unchanged WACC of 7.05%. Our A-share target price of RMB17.03 was set by using our FX team's end-2016e forecast of 1.18 at the time we set our target price.

Downside / upside risks for the H-shares/A shares: lower-than-expected / higher-than-expected WTG sales; less / more favourable government policies; lower-than-expected / higher-than-expected margin; and lower-than-expected / higher-than-expected investment return on the wind farm business.

EQUITIES ELECTRIC UTILITIES

China



H: BUY

TARGET PRICE (HKD)

20.10

PREVIOUS TARGET (HKD)

SHARE PRICE (HKD)

8.88

(as of 26 Feb 2016)

UPSIDE/DOWNSIDE

+126.4%



A: HOLD

TARGET PRICE (RMB)

17.03

PREVIOUS TARGET (RMB)

SHARE PRICE (RMB)

15.29

(as of 26 Feb 2016)

UPSIDE/DOWNSIDE

+11.4%

MARKET DATA

BBG / RIC	2208 HK / 2208.HK
Market cap (HKDm / USDm)	45,067 / 5,798
Free float (H / A)	100% / 100%
3m ADTV (USDm)	11.1 / 233

FINANCIALS AND RATIOS (RMB)

Year to	12/2014a	12/2015e	12/2016e	12/2017e
HSBC EPS	0.68	1.00	1.09	1.36
HSBC EPS (prev)	-	-	-	-
Change (%)	-	-	-	-
Consensus EPS	0.64	1.09	1.15	1.28

Source: Thomson Reuters IBES, HSBC estimates

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Financials & valuation

Financial statements

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Profit & loss summary (CNYm)				
Revenue	17,573	25,208	26,597	33,389
EBITDA	2,246	3,263	3,899	5,267
Depreciation & amortisation	-434	-473	-623	-887
Operating profit/EBIT	1,812	2,790	3,275	4,381
Net interest	-584	-543	-652	-856
PBT	2,109	3,160	3,498	4,389
Taxation	-255	-411	-472	-614
Net profit	1,830	2,714	2,987	3,726
Cash flow summary (CNYm)				
Cash flow from operations	2,829	2,586	4,008	4,547
Capex	-2,744	-6,400	-8,000	-8,000
Cash flow from investment	-1,675	-6,241	-7,878	-7,889
Dividends	-235	-1,078	-814	-896
Change in net debt	-1,382	4,912	5,337	5,095
FCF pre dividends	-781	-5,088	-5,375	-5,040
Balance sheet summary (CNYm)				
Intangible fixed assets	508	419	395	374
Tangible fixed assets	10,482	16,504	23,910	31,049
Current assets	27,312	30,957	32,374	38,293
Cash & others	9,619	5,828	5,891	5,196
Total assets	45,777	55,374	64,190	77,246
Operating liabilities	16,545	22,985	24,189	29,967
Financial liabilities	11,880	13,002	18,402	22,802
Total liabilities	30,550	38,112	44,716	54,894
Net debt	2,262	7,174	12,511	17,606
Shareholders' funds	14,768	16,781	18,964	21,806

Ratio, growth and per share analysis

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Y-o-y % change				
Revenue	44.1	43.5	5.5	25.5
EBITDA	358.8	45.2	19.5	35.1
Operating profit	601.7	54.0	17.4	33.8
PBT	317.2	49.8	10.7	25.5
HSBC EPS	327.8	47.2	9.2	24.7
Ratios (%)				
ROE	13.0	17.2	16.7	18.3
ROCE	9.7	11.2	10.5	10.9
EBITDA margin	12.8	12.9	14.7	15.8
Operating profit margin	10.3	11.1	12.3	13.1
Net debt/equity	14.9	41.6	64.2	78.8
CF from operations/net debt	125.1	36.0	32.0	25.8
Per share data (CNY)				
EPS reported (diluted)	0.68	1.00	1.09	1.36
HSBC EPS (diluted)	0.68	1.00	1.09	1.36
DPS	0.40	0.30	0.33	0.41
Gross CFPS	0.84	1.32	1.52	1.97

Valuation data: 2208 HK

Year to	12/2014a	12/2015e	12/2016e	12/2017e
EV/sales	2.2	1.8	1.9	1.6
EV/EBITDA	17.5	13.5	12.7	10.4
P/CF	8.9	5.7	4.9	3.8
PE*	11.0	7.5	6.8	5.5
FCF yield (pre div) (%)	-2.1	-13.8	-14.5	-13.6
Dividend yield (%)	5.4	4.0	4.4	5.5

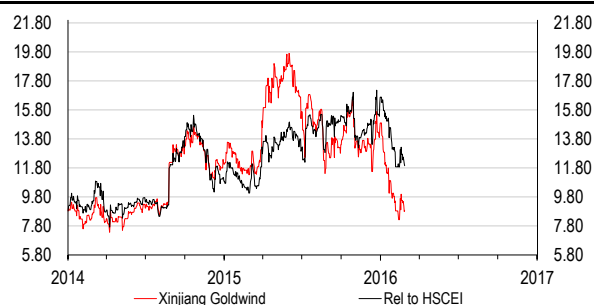
* Based on HSBC EPS (diluted)

Valuation data: 002202 CH

Year to	12/2014a	12/2015e	12/2016e	12/2017e
EV/sales	2.2	1.8	1.9	1.6
EV/EBITDA	17.5	13.5	12.7	10.4
P/CF	18.1	11.6	10.1	7.8
PE*	22.5	15.3	14.0	11.2
FCF yield (pre div) (%)	-2.1	-13.8	-14.5	-13.6
Dividend yield (%)	2.6	2.0	2.1	2.7

* Based on HSBC EPS (diluted)

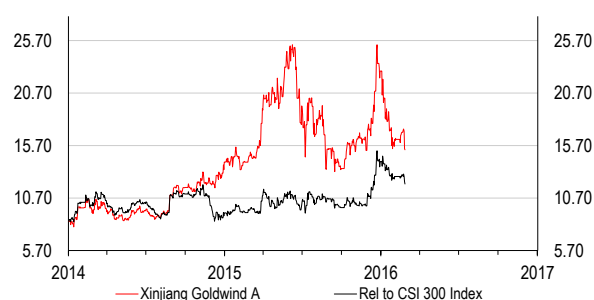
Price relative: 2208 HK



Source: HSBC

Note: Priced at close of 26 Feb 2016

Price relative: 002202 CH



Source: HSBC

Note: Priced at close of 26 Feb 2016

FY15 preliminary results

Goldwind results

RMBm	1Q15	2Q15	3Q15	4Q15e	HSBC 2015e	2015a	yoy	vs HSBCe
Total Revenue	2,552	6,824	9,115	11,571	25,208	30,062	69.8%	19%
QoQ	-63.4%	167%	-3%	27%				
YoY	77.9%	127%	48%	66%				
% contribution to annual	8.5%	23%	30%	38%				
Net Profits	252	1,012	862	1,120	2,749	3,247	54.0%	18%
Attributable Net Profits	249	997	862	742	2,714	2,849	55.7%	5%
Profit Margin	9.7%	15%	9.5%	6.4%	10.5%	9.5%		
QoQ	-60.8%	300.6%	-30.8%	-14.0%				
YoY	389.7%	256.1%	-0.2%	16.8%				
% contribution to annual	8.7%	35%	30%	26%				
EPS (RMB)	0.09	0.37	0.32	0.27	1.00	1.05	55.0%	5%
% contribution to annual	8.8%	34.9%	30.3%	26.0%				

Source: HSBC estimates, Company Data

Disclosure appendix

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From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

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Upside/Downside is the percentage difference between the target price and the share price.

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Rating distribution for long-term investment opportunities

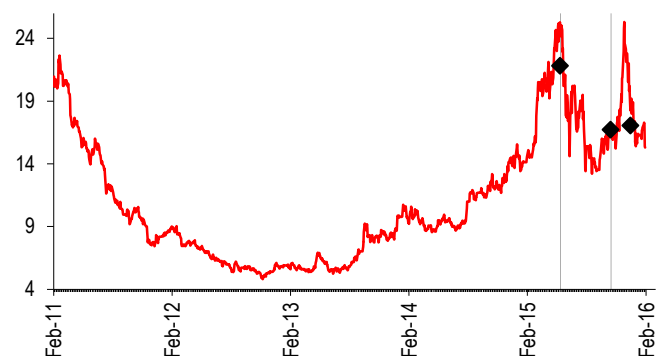
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Share price and rating changes for long-term investment opportunities

Xinjiang Goldwind A (002202.SZ) share price performance CNY Vs HSBC rating history



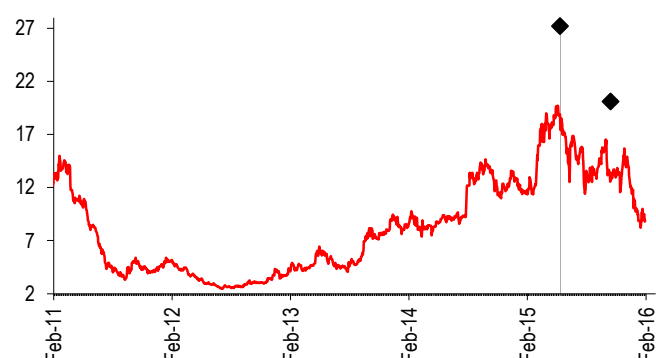
Source: HSBC

Rating & target price history

From	To	Date
N/A	Reduce	09 June 2015
Reduce	Hold	12 November 2015
Target price	Value	Date
Price 1	21.80	09 June 2015
Price 2	16.70	12 November 2015
Price 3	17.03	12 January 2016

Source: HSBC

Xinjiang Goldwind (2208.HK) share price performance HKD Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date
N/A	Buy	09 June 2015
Target price	Value	Date
Price 1	27.20	09 June 2015
Price 2	20.10	12 November 2015

Source: HSBC

HSBC & Analyst disclosures**Disclosure checklist**

Company	Ticker	Recent price	Price date	Disclosure
XINJIANG GOLDWIND	2208.HK	8.88	26-Feb-2016	4
XINJIANG GOLDWIND A	002202.SZ	15.29	26-Feb-2016	4

Source: HSBC

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