# Xinyi Glass (XYG) 868.HK / 868 HK

Auto parts / Construction materials

## **LONG**

Maintain

## Earnings top consensus, aggressive plans ahead

HK\$11.94\*

Target price: HK\$13.16

Prior TP: HK\$11.86 Upside: 10%

XYG results in	า-แne
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	2H17	YoY∆	HoH∆	2017	YoY∆	Act vs Cons
Revenue (HK\$'m)	8,051	15.6%	20.6%	14,728	12.1%	-0.3%
Gross profit (HK\$'m)	3,015	15.2%	24.1%	5,444	48.7%	-0.1%
GPM	37.4%	-0.1 ppt	1.1 ppt	37.0%	0.7 ppt	0.1 ppt
Net profit (HK\$'m)	2,378	28.9%	45.4%	4,014	52.1%	9.5%

aluation table		
2018 earnings excluding XYS operations (HK\$'m)	4,392	
Implied EPS (HK¢)	109.4	
Multiplied by: P/E ratio of XYG operations	12x	
XYG operations contribution		13.12
Add: Share of XYS TP		2.36
Standalone value (HK\$)		15.48
Conglomerate discount		15.0%
Target price (HK\$)		13.16

Source: Sunwah Kingsway Research estimates

Earnings revisions			
	2018F	2019F	2020F
Revenue (HK\$'m) - new	17,276	19,301	21,432
old	17,129	19,096	N/A
change	0.9%	1.1%	N/A
Gross profit (HK\$'m)	7,494	8,157	8,846
old	7,138	7,854	N/A
change	5.0%	3.9%	N/A
Net profit (HK\$'m)	5,402	5,796	6,328
old	4,925	5,472	N/A
change	9.7%	5.9%	N/A
Basic EPS (HK cents)	134.5	144.3	157.6
old	122.6	136.2	N/A
change	9.7%	6.0%	N/A

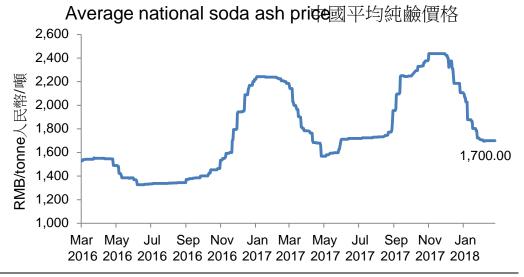
Source: Sunwah Kingsway Research estimates

Our revenue and earnings estimates for 2018 and 2019 are revised upwards based on the following assumption changes:

- 1. 2018 float glass ASP lifted by 2.5% to RMB1,630 per tonne.
- 2. Malaysia float glass capacity for 1H19 and 2H19 to increase by 1,000 tonnes per day each.
- 3. XYS earnings revisions, up 1.4% in 2018 and 3.2% in 2019.

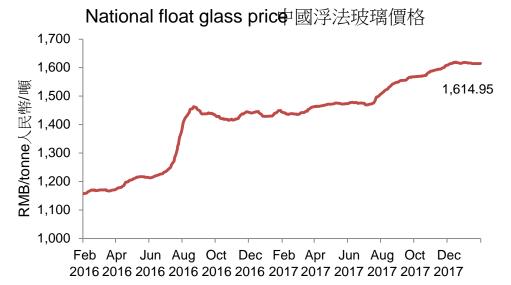
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### Average China Soda Ash price since Mar 2016



Source: Wind

### National float glass price since Mar 2016



Source: Wind

Years ended 31 Dec	2016	2017	2018F	2019F	2020F	Years ended 31 Dec	2016	2017	2018F	2019F	2020F
ncome statement (HK\$'m)	2010	2017	20101	20101	20201	Ratios	2010		20101	EU 171	£1/£U
Revenue	12,848	14,728	17,276	19,301	21,432	Gross margin (%)	36.3	37.0	43.4	42.3	41.3
COGS _	(8,189)	(9,283)	(9,782)	(11,144)	(12,586)	EBITDA margin (%)	32.4	34.0	37.3	36.0	35.0
Gross Profit	4,659	5,444	7,494	8,157	8,846	Net margin (%)	25.0	27.3	31.3	30.0	29.5
Other income	342	377	215	215	215	Selling & dist'n/Sales (%)	4.8	4.6	4.4	4.5	4.5
Other gains, net	159	317	0	0	0	Admin/Sales (%)	9.4	9.3	8.3	8.3	8.3
Selling & marketing costs	(620)	(675)	(753)	(869)	(964)	Payout ratio (%)				45 -	
Admin expense	(1,202)	(1,370)	(1,441)	(1,610)	(1,788)	Effective tax (%)	15.9	14.5	15.7	16.6	16.4
Gain on spin-off	2 2 2 2 0	4 003	<u>0</u>	5 904	6 200	Total debt/equity (%)	E0 2	10 1	20.0	26.4	25.0
Operating profit	<b>3,338</b> 797	<b>4,093</b> 846	<b>5,515</b> 920	<b>5,894</b>	<b>6,308</b>	Net debt/equity (%)	58.2 37.2	46.4 29.7	38.8 32.2	36.4 31.7	25.8 21.5
Add back: Depreciation Add back: Amortization	30	846 75	920	1,064 0	1,184 0	Current ratio (x)	37.2 1.1	29.7 1.5	32.2 1.0	1.0	1.1
EBITDA	4,165	5,014	6,436	6,958	7,493	Quick ratio (x)	0.9	1.3	0.7	0.7	0.8
Depreciation & Amortization	(827)	(921)	(920)	(1,064)	(1,184)	Quiot ratio (A)	0.0	1.4	0.1	0.1	0.0
Finance income	51	55	27	(1,004)	23	Inventory T/O days	57	59	61	61	61
Finance costs	(128)	(151)	(147)	(141)	(132)	A/R T/O days	68	68	80	80	80
Share of P/L of assos	563	700	1,010	1,175	1,369	A/PT/O days	98	95	84	84	84
Profit before tax	3,823	4,696	6,406	6,951	7,568	Working capital days	26	31	57	57	57
ncome tax expense	(607)	(682)	(1,003)	(1,155)	(1,240)						
Profit for the year	3,216	4,014	5,402	5,796	6,328	Asset turnover (x)	0.53	0.49	0.55	0.56	0.56
_ess: MI	(3)	(0)	0	0	0	Financial leverge (x)	1.82	1.66	1.64	1.60	1.56
Net profit	3,213	4,014	5,402	5,796	6,328	EBIT margin (%)	26.0	27.8	31.9	30.5	29.4
D 1 FD0 (III/ C : )	00 =0	404	404 = 1	444.51	4	Interest burden (x)	1.1	1.1	1.2	1.2	1.2
Basic EPS (HK Cents)	82.78	101.14	134.51	144.31	157.57	Tax burden (x)	0.84	0.85	0.84	0.83	0.84
Diluted EPS (HK Cents)	81.19	99.92	130.96	140.51	153.41	Return on equity (%)	24.4	22.0	28.3	26.7	25.6
Years ended 31 Dec	2016A	2017E	2018F	2019F	2020F	As at 31 Dec	2016	2017			
Cash flow (HK\$'m)	2010A	2017E	2010	20195	ZUZUF	Balance Sheet (HK\$'m)	2010	2017			
EBITDA	4,165	5,014	6,436	6,958	7,493	Leasehold land & land use rights	1,121	3,427			
Non-cash adjustments	86	(18)	0,430	0,930	7,493	PPE	11,831	12,929			
Changes in working capital	(218)	(758)	(805)	(545)	(581)	Investment properties	547	1,205			
Operating cash	4,032	4,238	5,631	6,413	6,912	Prepmt for PPE & land use rights	608	300			
Taxes paid	(342)	(562)	(1,176)	(1,152)	(1,237)	Intangible assets	72	70			
Interest paid	(126)	(151)	(147)	(141)	(132)	AFS financial assets	39	52			
Net cash from operations	3,565	3,525	4,308	5,120	5,543	Investment in asso	3,258	4,416			
						Loans to an assp	49	27			
Interest received	51	55	27	24	23	Other non-current assets	0	0			
CAPEX	(1,756)	(3,366)	(3,000)	(3,000)	(2,500)	Non-current assets	17,524	22,426			
Disposals of assets	18	0	0	0	0	la contada a	4 004	4.000			
Acquisition/disposal of subsidiar	(618)	0	0	0	0	Inventories	1,321	1,698			
Change in non-demand deposits	(4)	(4)	7	0	0	Loans to assos + amt due from asso	33	52 2.072			
Advances to associates Dividends from associates	(47) 256	0 307	0 364	0 432	0 513	Trade & other receivables	2,377 5	3,072 9			
Dividends from associates  Net change in investment proper	256 (97)	307 0	364 0	432 0	513	Non-demand deposits  Cash & cash equiv.	5 2,763	3,049			
Net change in investment proper Others	(82)	0	0	0	0	Current assets	6,499	7,879			
Investing cash	(2,280)	(3,008)	(2,602)	(2,544)	(1,964)	Vari Gill addeta	0,433	1,019			
	(=,=00)	(0,000)	(=,502)	(=,077)	(1,504)	Total assets	24,022	30,305			
FCF	1,285	517	1,706	2,576	3,579		,	,			
	,	-	,	,	, -	Amt due to asso	0	0			
Net issue/(repurchase) of share	(122)	175	0	0	0	Trade & other payables	2,297	2,554			
Net issue/(redemption) of debt s	` o´	(91)	0	0	0	Current tax payable	538	535			
Net changes in bank loans	1,611	1,412	(1,072)	0	(500)	Bank and other borrowings	3,165	2,068			
Dividends	(1,321)	(1,727)	(2,434)	(2,803)	(3,032)	Current liabilities	6,000	5,157			
Others	56	0	(0.500)	0	0	B 11	0.000	0.000			
Financing cash	225	(231)	(3,506)	(2,803)	(3,532)	Bank borrow ings	3,889	6,399			
Natabanaa in aa-t-	4.540	000	(4.000)	(007)	40	Other borrow ings - CBs	620	0			
Net change in cash Cash and cash equiv b/f	1,510	286	(1,800)	(227)	46	Deferred tax liabilities	218	335			
	1,298	2,763 0	3,049 0	1,248	1,021	Deferred government grants Other payables	0 48	0 108			
	(45)	3,049	1,248	1, <b>02</b> 1	1, <b>067</b>	MI	48 66	69			
FX adjustments	2762	3,049	1,440	1,021	1,007	Non-current liabilities	4,841	6,911			
FX adjustments	2,763	,					7,041				
-X adjustments	2,763	•					•	0,011			
EX adjustments  Cash and cash equiv c/f	2,763	·				Total net assets	13,181	18,237			
FX adjustments	2,763	·				Total net assets	13,181	18,237			
-X adjustments	2,763	ŕ				Total net assets Shareholders' equity	13,181 13,181	·			
FX adjustments	2,763	,				Total net assets	13,181	18,237 18,237			

Source: Company data, Sunwah Kingsway Research Estimates

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