



Company Report: Xinyi Glass (00868 HK)

公司报告: 信义玻璃 (00868 HK)

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7 May 2021

Float Glass Price Hits Record High Again, "Accumulate"

浮法玻璃价格再创历史新高, “收集”

- **We hosted an investor conference call with XYG's CFO.** Key takeaways from the conference call: Float glass demand in 2021 is expected to record high single-digit growth rate. Float glass price is expected to stay high in 2Q21; further price hikes may occur in 2H21. The trend of using ultra-clear float glass as back glass in solar panels has started to be reversed. Rise in soda ash cost may start to be reflected in 2Q21.
- **XYG's major shareholders have been consistently purchasing the Company's shares since March.** The total number of shares bought by them during the period was 27.326 million shares, representing around 0.7% of the Company's outstanding number of shares. We believe these share purchases have strongly reflected their confidence in the Company's development prospects.
- **We have raised EPS forecasts for 2021/ 2022/ 2023 by 14.3%/ 14.0%/ 11.7%, respectively.** We have mainly 1) lifted revenue assumptions for float glass based on stronger-than-expected float glass price, 2) lowered gross margin assumptions for automobile glass and architectural glass due to rise in production costs, and 3) trimmed assumptions for share of results of associates from Xinyi Solar based on the slump in solar glass price.
- **Raise TP to HK\$30.50 and maintain "Accumulate".** Our SOTP-based TP represents 12.3x/ 11.3x/ 10.4x 2021-2023 PE ratio and 3.6x 2021 PB ratio. Despite reduction in profit contribution from Xinyi Solar and cost pressure from rising soda ash price, we believe that the stronger-than-ever float glass price will fully offset the negative factors and continue to drive up earnings.
- **我们主持了与信义玻璃财务总监的投资者电话会议。**电话会议纪要: 2021年的浮法玻璃需求预计将录得高单位数的增长。2021年第二季度的浮法玻璃价格预计将维持在高位,进一步的涨价或将在2021年下半年出现。超白浮法玻璃作为光伏组件背板的趋势已开始逆转。纯碱成本的上升可能在2021年第二季度开始反映。
- **信义玻璃的主要股东自3月以来持续增持公司股份。**期间他们购买的股份总数为2,732.6万股,约占公司总股本的0.7%。我们相信这些股份增持有力地反映了他们对于公司发展前景的信心。
- **我们将2021/2022/2023年的每股盈利预测分别上调14.3%/14.0%/11.7%。**我们主要1)基于强于预期的浮法玻璃价格,上调了浮法玻璃收入的假设,2)基于生产成本的上升,下调了汽车玻璃和建筑玻璃的毛利率假设,以及3)基于光伏玻璃价格的大跌,下调了对于来自信义光能的联营公司应占业绩的假设。
- **上调目标价至30.50港元并维持“收集”。**我们基于分部加总估值法的目标价对应12.3倍/11.3倍/10.4倍的2021-2023年市盈率率和3.6倍的2021年市净率。尽管信义光能的利润贡献将减少,且纯碱涨价带来成本压力,我们认为强于以往的浮法玻璃价格将完全抵消这些负面因素,并继续带动盈利增长。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$30.50

Revised from 原目标价:

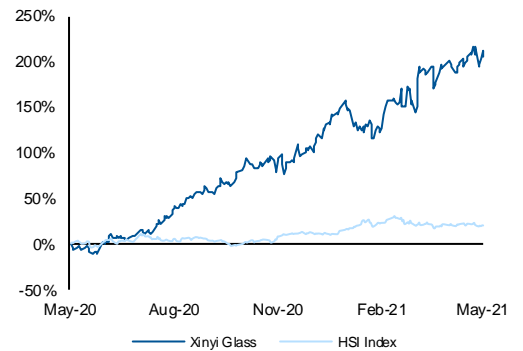
HK\$26.40

Share price 股价:

HK\$26.550

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 %	1.7	35.0	202.7
Rel. % to HS Index 相对恒指变动 %	1.9	37.4	183.4
Avg. Share price (HK\$) 平均股价 (港元)	18.3	16.8	11.7

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	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2019A	16,258	4,478	1.118	10.6	23.7	5.187	5.1	0.550	2.1	22.9
2020A	18,616	6,422	1.595	42.7	16.6	6.902	3.8	0.790	3.0	26.4
2021F	25,778	10,065	2.488	56.0	10.7	8.564	3.1	1.230	4.6	32.2
2022F	29,809	10,910	2.690	8.1	9.9	10.061	2.6	1.330	5.0	28.9
2023F	32,745	11,965	2.942	9.4	9.0	11.551	2.3	1.450	5.5	27.2

Shares in issue (m) 总股数 (m)	4,049.6	Major shareholder 大股东	LEE Yin Yee 22.5%
Market cap. (HK\$ m) 市值 (HK\$ m)	107,516.9	Free float (%) 自由流通比率 (%)	54.6
3 month average vol. 3个月平均成交股数 ('000)	11,504.0	FY21 Net gearing (%) FY21 净负债/股东资金 (%)	10.3
52 Weeks high/low (HK\$) 52周高/低 (HK\$)	27.700 / 8.060	FY21 Est. NAV (HK\$) FY21 每股估值 (港元)	32.4

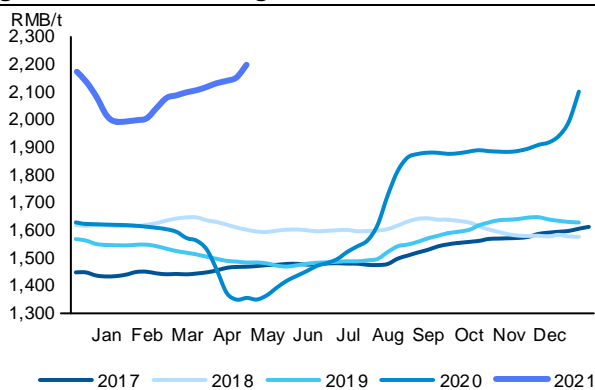
Source: the Company, Guotai Junan International.

BUSINESS UPDATES

We hosted an investor conference call with XYG's CFO. The conference call was mainly about Xinyi Glass's (XYG or the "Company") industry outlook and recent updates on the Company's operations. Key takeaways from the conference call are as follows.

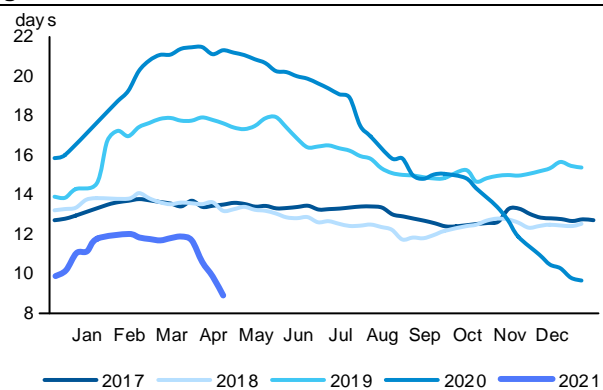
- **Float glass demand in 2021 is expected to record high single-digit growth rate.** National float glass demand is expected to grow by 5% YoY based on growth of GFA of new building construction only. If taking upgrade and replacement into consideration as well, total float glass demand is expected to record high-digit growth rate in 2021. XYG's effective capacity is expected to grow by 26% YoY thanks to the completion of five new production lines as well as the acquisition of three production lines.
- **Float glass price is expected to stay high in 2Q21; further price hikes may occur in 2H21.** The Company expects national average float glass price to stay high with mild fluctuations. Once the peak season starts in 2H21, float glass price may have further increases. Inventory level of float glass in 2021 is expected to stay below that in last 3 years. Annual average price in 2021 is expected to grow by around 20% YoY, considering the low base in 1H20 and the high base in 2H20.
- **The trend of using ultra-clear float glass as back glass in solar panels has started to be reversed.** Around 5,000 tons of daily capacity of ultra-clear float glass were used to supply back glass for solar panels due to the surge in solar glass price in 2H20. However, given recent tumble in solar glass price, it is no longer economical to supply back glass for solar panels, so part of these capacities started to return to produce traditional float glass in March. The Company believes that relevant effect will be minor given the limited size of these capacities.
- **Rise in soda ash cost may start to be reflected in 2Q21.** The Company's gross margin of float glass had not yet been affected by the rising soda ash price thanks to its long-term procurement contracts with soda ash suppliers in 1Q21. The rise in soda ash price may start to affect the gross margin of float glass in 2Q21. XYG and other glass companies are all seeking cheaper imported soda ash from overseas markets. Natural gas cost and silica sand cost is expected to be broadly stable in 2021.
- **Gross margin of automobile glass and architectural glass is expected to remain flat.** Despite surge in float glass price, the Company expects gross margin of automobile glass and architectural glass to remain broadly stable in 2021 thanks to price hikes and abundant in-house supply of float glass. For instance, XYG has raised the selling price of its architectural glass based on the original contracted price early this year, as the production cost rose due to surge in float glass price.

Figure-1: National Average Float Glass Price



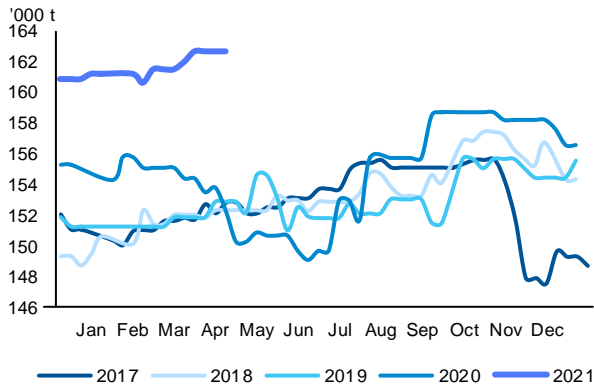
Source: Glassinfo, Guotai Junan International.

Figure-2: National Float Glass Production Line Inventory



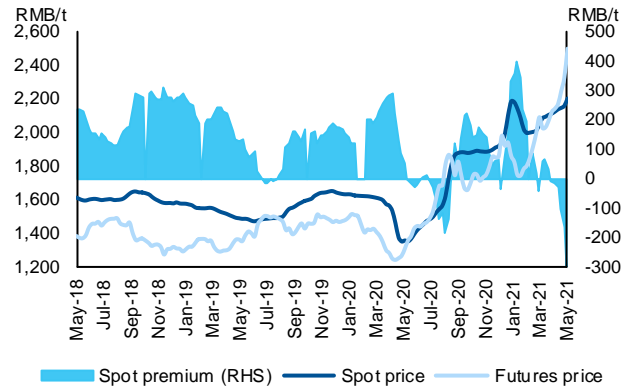
Source: Glassinfo, Guotai Junan International.

Figure-3: National Operating Capacity of Float Glass



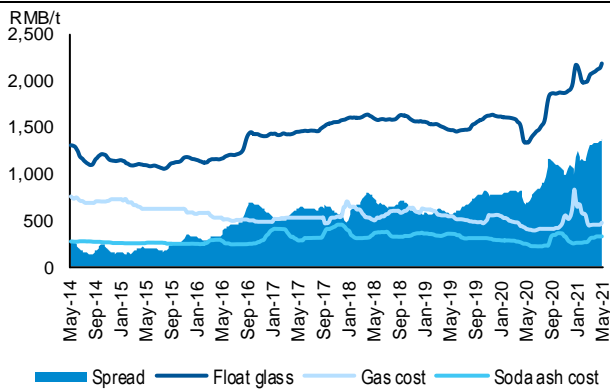
Source: Glassinfo, Guotai Junan International.

Figure-4: Spot Premium of Flat Glass Futures



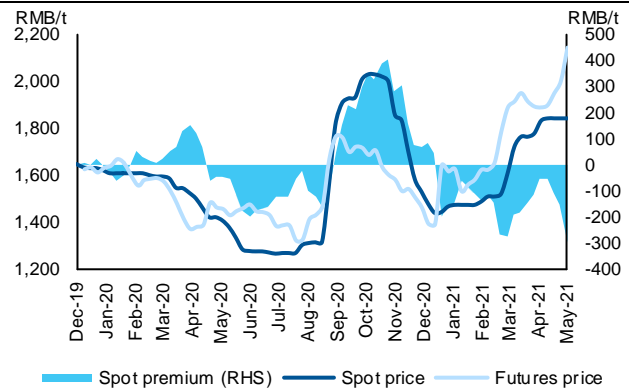
Source: Glassinfo, Zhengzhou Commodity Exchange, Guotai Junan International.

Figure-5: Glass-Natural Gas & Soda Ash Spread Index



Source: Glassinfo, JLC, CCAON, Guotai Junan International.

Figure-6: Spot Premium of Soda Ash Futures



Source: CCAON, Zhengzhou Commodity Exchange, Guotai Junan International.

XYG's major shareholders have been consistently purchasing the Company's shares since March. Four major shareholders and directors of XYG (including LEE Yin Yee – the Company's Chairman and Executive Director, TUNG Ching Sai – the Company's CEO and Executive Director, TUNG Ching Bor – the Company's Vice Chairman and Executive Director, and SZE Nang Sze – the Company's Non-Executive Director) have purchased the Company's shares during 4 March to 5 May in multiple rounds. The total number of shares bought by them during the period was 27.326 million shares, representing around 0.7% of the Company's outstanding number of shares. We believe these share purchases have strongly reflected their confidence in the Company's development prospects.

Table-1: Recent Share Purchase of XYG's Shareholders / Directors (4 March to 5 May 2021)

Date	Shareholder / Director	Number of shares bought	Average price (HK\$ per share)	Total value (HK\$ million)	Total shareholdings after purchase
5-May-2021	LEE Yin Yee ⁽¹⁾	1,258,000	25.9464	32.6	22.88%
4-May-2021	LEE Yin Yee	214,000	25.3724	5.4	22.85%
4-May-2021	TUNG Ching Sai ⁽²⁾	1,000,000	25.6622	25.7	11.58%
3-May-2021	SZE Nang Sze ⁽³⁾	1,000,000	25.5622	25.6	4.15%
3-May-2021	LEE Yin Yee	1,000,000	25.4381	25.4	22.84%
3-May-2021	TUNG Ching Sai	1,706,000	25.9500	44.3	11.56%
30-Apr-2021	LEE Yin Yee	168,000	26.9798	4.5	22.86%
29-Apr-2021	TUNG Ching Sai	1,000,000	26.6463	26.6	11.54%
20-Apr-2021	TUNG Ching Sai	856,000	25.5000	21.8	11.52%
12-Apr-2021	LEE Yin Yee	500,000	25.0000	12.5	22.86%
12-Apr-2021	TUNG Ching Sai	456,000	24.9618	11.4	11.49%
9-Apr-2021	LEE Yin Yee	326,000	24.9000	8.1	22.85%
9-Apr-2021	TUNG Ching Sai	282,000	25.8291	7.3	11.48%
1-Apr-2021	TUNG Ching Sai	436,000	25.3596	11.1	11.48%
26-Mar-2021	TUNG Ching Bor ⁽⁴⁾	222,000	23.9000	5.3	8.85%
24-Mar-2021	TUNG Ching Bor	458,000	23.5500	10.8	8.84%
24-Mar-2021	LEE Yin Yee	1,500,000	24.3973	36.6	22.85%
24-Mar-2021	TUNG Ching Sai	1,500,000	23.5583	35.3	11.47%
19-Mar-2021	LEE Yin Yee	44,000	24.5000	1.1	22.81%
18-Mar-2021	TUNG Ching Sai	462,000	24.6413	11.4	11.43%
17-Mar-2021	TUNG Ching Sai	326,000	24.8521	8.1	11.42%
9-Mar-2021	TUNG Ching Sai	1,500,000	21.4945	32.2	11.41%
8-Mar-2021	LEE Yin Yee	500,000	21.8000	10.9	22.81%
5-Mar-2021	TUNG Ching Bor	1,000,000	21.4880	21.5	8.83%
4-Mar-2021	TUNG Ching Bor	344,000	21.9050	7.5	8.81%
4-Mar-2021	LEE Yin Yee	2,000,000	22.2470	44.5	22.78%
4-Mar-2021	TUNG Ching Sai	1,260,000	22.0595	27.8	11.37%
	LEE Yin Yee	7,510,000	24.1979	181.7	
Subtotal	TUNG Ching Sai	13,388,000	24.1224	323.0	
	TUNG Ching Bor	6,260,000	23.0387	144.2	
	SZE Nang Sze	168,000	26.9798	4.5	
Total		27,326,000	23.9125	653.4	

Source: the Company, Guotai Junan International.

Note (1): XYG's Chairman and Executive Director.

Note (2): XYG's CEO and Executive Director.

Note (3): XYG's Non-Executive Director.

Note (4): XYG's Vice Chairman and Executive Director.

EARNINGS FORECASTS

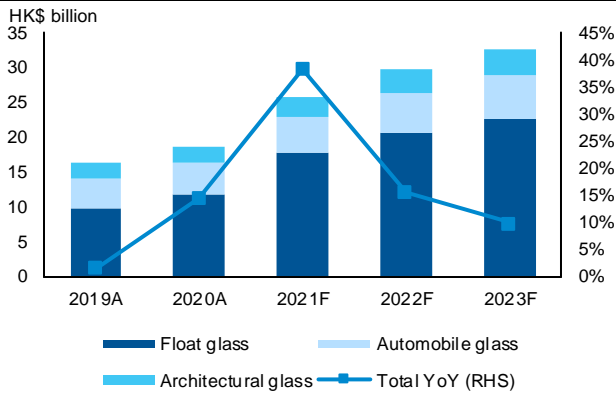
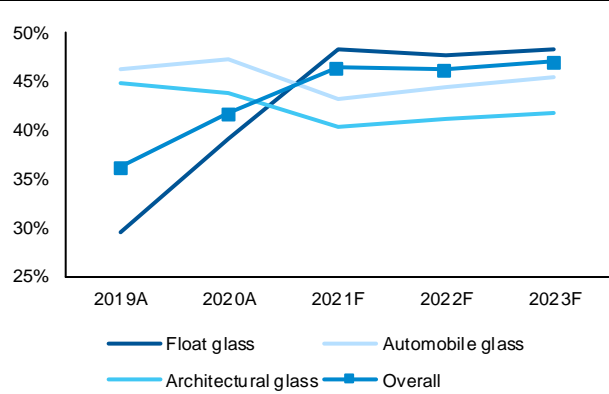
We have raised our EPS forecasts for 2021/ 2022/ 2023 by 14.3%/ 14.0%/ 11.7%, respectively. Main revisions are as follows.

- We have lifted our revenue assumptions for float glass based on stronger-than-expected float glass price.
- We have lowered our gross margin assumptions for automobile glass and architectural glass due to rise in production costs.
- We have trimmed our assumptions for share of results of associates from Xinyi Solar based on the slump in solar glass price.

Table-2: Changes in Key Assumptions for Financial Forecasts

	New			Old			Change		
	2021F	2022F	2023F	2021F	2022F	2023F	2021F	2022F	2023F
Revenue by segment (HK\$ mn)									
Float glass	17,682	20,709	22,705	16,679	18,378	20,431	+6.0%	+12.7%	+11.1%
Automobile glass	5,184	5,671	6,134	5,184	5,671	6,134	-	-	-
Architectural glass	2,911	3,428	3,906	2,911	3,428	3,906	-	-	-
Gross margin by segment									
Float glass	48.4%	47.7%	48.3%	46.1%	43.1%	42.4%	+2.2 ppts	+4.6 ppts	+5.9 ppts
Automobile glass	43.2%	44.4%	45.6%	46.6%	46.6%	46.6%	-3.4 ppts	-2.3 ppts	-1.1 ppts
Architectural glass	40.3%	41.2%	41.8%	43.6%	43.9%	43.6%	-3.3 ppts	-2.7 ppts	-1.8 ppts
Key financials (HK\$ mn)									
Revenue	25,778	29,809	32,745	24,775	27,478	30,471	+4.0%	+8.5%	+7.5%
Gross profit	11,966	13,798	15,404	11,378	12,061	13,234	+5.2%	+14.4%	+16.4%
Shareholders' net profit	10,065	10,910	11,965	8,804	9,561	10,689	+14.3%	+14.1%	+11.9%
Basic EPS (HK\$)	2.488	2.690	2.942	2.177	2.360	2.633	+14.3%	+14.0%	+11.7%

Source: Guotai Junan International.

Figure-7: XYG's Revenue by Segment

Figure-8: XYG's Gross Margin by Segment


Source: the Company, Guotai Junan International.

Source: the Company, Guotai Junan International.

VALUATION AND RECOMMENDATION

Raise target price to HK\$30.50 and maintain "Accumulate". We derived our target price of HK\$30.50 from sum-of-the-parts (SOTP) valuation. Our target price represents 12.3x/ 11.3x/ 10.4x 2021-2023 PE ratio and 3.6x 2021 PB ratio. Despite reduction in profit contribution from Xinyi Solar and cost pressure from rising soda ash price, we believe that the stronger-than-ever float glass price will fully offset the above negative factors and continue to drive up the Company's earnings. We maintain our investment rating of "Accumulate".

Table-3: SOTP Valuation for XYG

HK\$ million, unless specified	XYG (ex-XYS)	HK\$ million, unless specified	XYS
Valuation method	PE ratio	Valuation method	Mark to market
XYG's shareholders' profit (2021F)	10,065	XYG's market cap	90,737
(-) Share of profit from XYS (after tax) (2021F)	1,095	(x) XYG's shareholding ratio in XYS	22.86%
XYG's core net profit (ex-XYS) (2021F)	8,970	XYG's market cap attributable to XYG	20,742
(x) XYG's target core 2021 PE ratio	13.0x		
XYG's target core market cap	116,615		
XYG's total target NAV		137,357	
(x 1-) Conglomerate discount		10.0%	
XYG's discounted target NAV		123,622	
No. of shares outstanding (m)		4,050	
Target NAV per share (HK\$)		30.50	

Source: the Company, Guotai Junan International.

Figure-9: XYG's 12-Month Forward PE Ratio

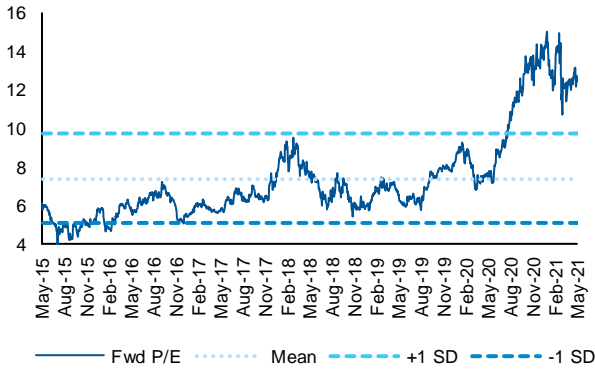
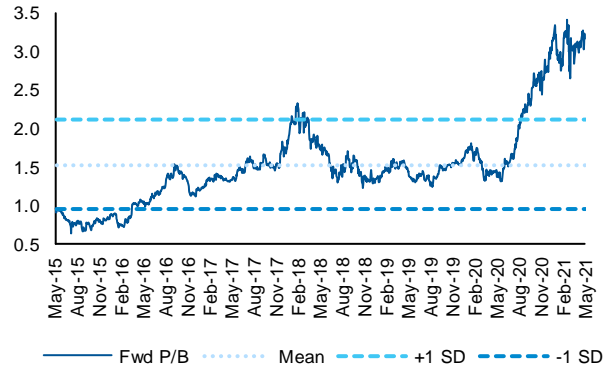


Figure-10: XYG's 12-Month Forward PB Ratio



Source: Bloomberg, Guotai Junan International.

Source: Bloomberg, Guotai Junan International.

Table-4: Peers Comparison

Company	Stock Code	Currency	Last Price	Market Cap (HKD mn)	PE (fiscal year)				PB (fiscal year)				ROE(%)		D/Y(%)		EV/EBITDA
					20A	21F	22F	23F	20A	21F	22F	23F	21F	21F	21F		
Hong Kong Listed Peers																	
Xinyi Glass Holdings Ltd	868 HK	HKD	26.550	107,517	16.6	12.8	11.9	11.2	3.8	3.3	2.9	2.5	29.0	3.8	11.7		
Fuyao Glass Industry Group-H	3606 HK	HKD	43.150	138,632	36.9	23.1	18.8	16.5	4.2	3.7	3.4	3.1	16.8	2.6	17.3		
Luoyang Glass Company Ltd-H	1108 HK	HKD	5.640	7,586	8.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
China Glass Holdings Ltd	3300 HK	HKD	0.840	1,521	n.a.	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Flat Glass Group Co Ltd-H	6865 HK	HKD	17.520	59,293	18.8	13.3	11.1	8.4	4.2	3.1	2.4	2.0	25.8	1.6	15.0		
Xinyi Solar Holdings Ltd	968 HK	HKD	10.300	90,737	18.6	14.0	12.9	11.2	3.4	2.9	2.5	2.3	22.3	3.2	10.8		
Simple Average					19.9	15.8	13.7	11.8	3.3	3.3	2.8	2.5	23.5	2.8	13.7		
Weighted Average					24.2	16.8	14.4	12.6	3.9	3.3	2.9	2.6	22.7	2.9	13.9		
Mainland China Listed Peers																	
Fuyao Glass Industry Group-A	600660 CH	CNY	48.490	138,632	46.6	31.0	25.5	21.6	5.6	5.0	4.5	4.0	16.3	1.9	17.3		
Zhuzhou Kibing Group Co Ltd-A	601636 CH	CNY	16.170	52,242	23.3	13.8	11.7	7.8	4.6	3.9	3.4	3.7	28.1	4.5	n.a.		
CSG Holding Co Ltd- A	000012 CH	CNY	8.900	24,678	35.6	20.9	14.1	9.4	2.7	2.5	2.3	n.a.	12.5	1.3	n.a.		
Luoyang Glass Company Ltd-A	600876 CH	CNY	17.200	7,586	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Shandong Jinjing Science-A	600586 CH	CNY	7.130	12,252	30.8	16.9	9.8	6.5	2.3	2.4	2.0	2.0	15.9	3.9	n.a.		
Shanghai Yaohua Pilkington-A	600819 CH	CNY	5.700	5,750	30.0	n.a.	n.a.	n.a.	1.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Jiangsu Xiuqiang Glasswork-A	300160 CH	CNY	6.110	4,545	30.6	n.a.	n.a.	n.a.	3.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Hubei Sanxia New Building-A	600293 CH	CNY	2.800	3,907	n.a.	n.a.	n.a.	n.a.	1.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Flat Glass Group Co Ltd-A	601865 CH	CNY	25.200	59,293	30.4	22.3	18.7	14.5	7.1	5.4	4.2	3.3	26.9	0.8	15.4		
Simple Average					32.5	21.0	16.0	12.0	3.7	3.8	3.3	3.3	19.9	2.5	16.4		
Weighted Average					35.8	24.6	19.9	15.9	5.2	4.6	3.9	3.7	20.3	2.2	16.7		
Global Listed Peers																	
Taiwan Glass Industry Corp	1802 TT	TWD	33.600	27,202	39.5	n.a.	n.a.	n.a.	2.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
AGC Inc	5201 JP	JPY	5,090.000	82,396	34.4	15.0	13.1	11.5	1.0	1.0	0.9	0.9	6.6	2.4	6.3		
Central Glass Co Ltd	4044 JP	JPY	2,335.000	7,142	14.7	n.a.	15.7	13.9	0.6	0.6	0.6	0.6	-0.6	3.2	10.0		
Nippon Sheet Glass Co Ltd	5202 JP	JPY	746.000	4,822	n.a.	n.a.	7.1	6.0	1.6	2.7	2.1	1.7	-65.2	0.0	11.2		
Compagnie De Saint Gobain	SGO FP	EUR	56.190	279,641	66.1	14.5	13.1	12.2	1.7	1.5	1.4	1.3	11.0	2.6	6.7		
Turk Sise Ve Cam Fabrikalari	SISE TI	TRY	7.610	21,919	8.7	7.0	6.4	5.4	1.1	1.0	1.0	0.9	14.0	2.7	5.0		
Simple Average					32.7	12.2	11.1	9.8	1.3	1.3	1.2	1.1	-6.8	2.2	7.8		
Weighted Average					54.3	14.2	12.7	11.6	1.5	1.4	1.3	1.2	9.1	2.5	6.7		

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (HK\$ m)	2019A	2020A	2021F	2022F	2023F	Year end 31 Dec (HK\$ m)	2019A	2020A	2021F	2022F	2023F
Total revenue	16,258	18,616	25,778	29,809	32,745	Property, plant and equipment	14,203	17,142	19,218	21,299	22,716
Cost of sales	(10,375)	(10,844)	(13,812)	(16,011)	(17,341)	Right-of-use assets	3,594	3,814	3,947	4,130	4,181
Gross profit	5,883	7,771	11,966	13,798	15,404	Investment properties	1,672	1,734	1,852	2,013	2,125
Other income & gains	1,307	1,353	1,880	1,122	785	Investments in associates	5,554	8,231	9,553	11,068	12,819
Selling & marketing costs	(940)	(959)	(1,206)	(1,353)	(1,468)	Others non-current assets	926	1,209	1,398	1,525	1,601
Administrative & other expenses	(1,692)	(1,805)	(2,029)	(2,154)	(2,276)	Total non-current assets	25,949	32,130	35,968	40,035	43,442
Operating profit	4,558	6,361	10,610	11,413	12,445	Inventories	2,045	2,496	3,326	3,934	4,256
Finance costs, net	(182)	(155)	(143)	(102)	(83)	Trade & other receivables	3,086	4,916	5,778	6,498	7,028
Share of results of associates	640	1,124	1,149	1,263	1,390	Cash & cash equivalents	5,098	5,245	7,936	10,418	14,413
Profit before tax	5,016	7,330	11,616	12,574	13,752	Other current assets	77	284	290	298	300
Income tax	(533)	(899)	(1,536)	(1,649)	(1,770)	Total current assets	10,305	12,941	17,330	21,147	25,997
Profit after tax	4,483	6,431	10,079	10,925	11,982	Total assets	36,254	45,071	53,298	61,182	69,439
Non-controlling interest	(5)	(9)	(14)	(15)	(17)	Trade & other payables	3,349	3,917	4,805	5,363	5,792
Shareholders' profit / loss	4,478	6,422	10,065	10,910	11,965	ST borrowings	4,459	3,779	3,871	4,208	4,714
Basic EPS	1.118	1.595	2.488	2.690	2.942	Other current liabilities	613	998	1,374	1,584	1,738
						Total current liabilities	8,422	8,694	10,049	11,156	12,244
						LT borrowings	6,350	7,795	7,722	8,204	9,104
						Other non-current liabilities	555	609	733	837	916
						Total non-current liabilities	6,905	8,403	8,455	9,040	10,020
						Total liabilities	15,327	17,098	18,504	20,197	22,264
						Share capital	402	404	405	406	407
						Reserves	20,444	27,478	34,284	40,461	46,635
						Total shareholders' equity	20,846	27,882	34,689	40,867	47,042
						Minority interest	81	92	105	118	133
						Total equity	20,927	27,973	34,794	40,985	47,175
						Total equity & liabilities	36,254	45,071	53,298	61,182	69,439
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (HK\$ m)	2019A	2020A	2021F	2022F	2023F		2019A	2020A	2021F	2022F	2023F
Profit before tax	5,016	7,330	11,616	12,574	13,752	Gross margin (%)	36.2	41.7	46.4	46.3	47.0
Depreciation & amortization	1,074	1,170	1,364	1,514	1,674	Operating margin (%)	28.0	34.2	41.2	38.3	38.0
Share of results of associates	(640)	(1,124)	(1,149)	(1,263)	(1,390)	Net margin (%)	27.5	34.5	39.0	36.6	36.5
Changes in working capital	(267)	(1,064)	(826)	(743)	(337)	ROE (%)	22.9	26.4	32.2	28.9	27.2
Interest and income tax paid	(910)	(844)	(1,330)	(1,615)	(1,838)	ROA (%)	13.7	16.2	20.8	19.4	18.6
Other adjustments	(494)	(963)	20	(46)	(77)	Net gearing ratio (%)	27.1	22.4	10.3	4.7	Net cash
Cash from operating activities	3,779	4,504	9,694	10,421	11,783	Interest coverage ratio (x)	19.3	39.0	58.6	62.9	63.4
Capital expenditure	(2,875)	(3,199)	(3,051)	(3,197)	(3,456)						
Other investing activities	816	(439)	(102)	(207)	(313)						
Cash from investing activities	(2,058)	(3,638)	(3,152)	(3,404)	(3,768)						
Net changes in borrowings	840	764	18	819	1,406						
Dividends paid	(2,084)	(1,892)	(3,777)	(5,205)	(5,631)						
Other financing activities	108	103	46	43	35						
Cash from financing activities	(1,136)	(1,025)	(3,713)	(4,342)	(4,190)						
Cash at beg of year	4,599	5,098	5,245	7,936	10,418						
Net changes in cash	585	(158)	2,829	2,675	3,825						
Effect of exchange rate changes	(85)	305	(137)	(193)	170						
Cash at end of year	5,098	5,245	7,936	10,418	14,413						

Source: the Company, Guotai Junan International.

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.

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