

信义玻璃 [0868.HK]

调研纪要

我们上周参加了信义玻璃和信义光能的调研活动。在调研中，两家公司的管理层重申对前景的正面看法。信义玻璃管理层提到，由于供需局势转好，浮法玻璃价格下跌的诱因不大。供应紧张的情况下，信义玻璃已将马来西亚工厂的浮法玻璃（目前出货量较小）付运到中国。信义玻璃管理层进一步解释指，海外扩张计划将提振公司整体盈利能力；料扩张计划的细节将在今年年底前公布。管理层还指出，在2017年上半年录得同比下跌的汽车玻璃产品业务，其于第三季录得同比增长，而汽车玻璃产品的收入将在2017年下半年回升。平均销售价格上涨带来的正面影响，超过了成本上涨（特别是纯碱）带来的影响。信义光能方面，光伏玻璃的需求依然强劲，继公司在今年第三季上调产品价格后，近期正考虑进一步涨价。光伏玻璃销量环比上涨和定价提升的正面影响，将抵消17年下半年EPC收入入账低于上半年的影响。公司的经营表现不太可能在2017年下半年明显转差。管理层还指出，中国政府比之前更积极支付一些拖延中的补贴，我们认为这有助于缓解市场担忧。我们认为中国浮法玻璃行业的供需动态将会转好，因为冷却维修周期很可能在2018年展开，这将使产能下降，而其他玻璃生产商引发的行业整合也会使产能下跌，这将对信义玻璃有利。市场对信义光能的投资情绪改善，对将对信义玻璃有利。信义玻璃现时的2017年市盈率为8.5倍，预测股息收益率为5.8%。由于估值不高，我们维持买入评级，目标价为10.13港元（基于11倍2017年市盈率，低于历史平均及同业平均水平）。

投资亮点

- 回应市场关注的问题。**在调研期间，信义玻璃管理层回应了市场所关注的问题。纯碱价格自2017年9月初以来大涨，从第二季的每吨1,800元人民币上涨至每吨2,400-2,450元人民币。据管理层表示，中国的纯碱价格上涨，主要是国家提升环保标准引致产能关闭所致。面对着中国纯碱价格上涨，公司以较低的成本从海外供应商取得苏打灰，这为公司的盈利能力带来支持。浮法玻璃价格上涨的正面影响，已超过了纯碱价格上涨的负面影响。基于去年的经验，预计冬季天然气价格的潜在上涨对信义玻璃的盈利能力影响有限。对于我们认为短期内无有重大诱因导致浮法玻璃价格大跌，公司管理层亦同意这个看法。管理层相信，汽车玻璃产品的增长将在2017年下半年回升，对比2017年上半年同比增长，而2017年第三季的增长理想。在供应紧张的情况下，信义玻璃已从马来西亚工厂把浮法玻璃产品付运到中国。
- 海外扩张计划正面。**至于海外扩张计划，公司很可能将重点放在马来西亚和加拿大等国家，我们认为这些地区的业务风险更为可控，预计可缓解投资者的忧虑。公司正在制定海外扩张计划的细节，并可能在2017年底之前公布。如果加拿大项目得到确定，信义玻璃将同时服务加拿大和美国市场。公司还将安装施工玻璃生产设施，以应对终端需求。管理层表示，由于竞争较小和能源成本较低，加拿大的项目会有望提供更高的盈利能力。预计海外扩张计划对信义玻璃的整体盈利能力产生正面影响。我们认为，市场对公司的海外扩张计划似乎过度忧虑。
- 浮法玻璃以外的业务于17年下半年复苏。**预计公司的汽车玻璃业务将在17年下半年回升，因为分拆信义香港[8328.HK]和巴西反倾销案件的影响已消退。管理层表示，汽车玻璃的销售在2017年第三季度恢复增长。管理层指出，中国政府正在解决补贴问题。信义光能将会取得第六批光伏业务补贴，估计约为2亿元人民币。信义光能正在提交有关申请第七批补贴所需的细节。光伏玻璃的需求依然强劲，管理层相信EPC业务将为17年下半年业绩带来重大贡献，该业务将受到产能环比上升20%和定价改善所支持。光伏玻璃的均价上涨，将提升市场对信义玻璃的投资情绪，这将间接利好信义玻璃。

中国建筑业 -

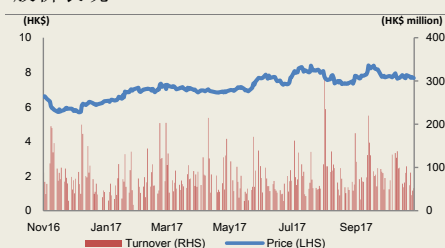
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买入

收盘价：7.67港元（2017年10月27日）

目标价：10.13港元（+32.0%）

股价表现



来源：彭博，中国银河国际证券研究部

市值	39.30亿美元
发行在外股数	39.39亿股
核数师	PricewaterhouseCoopers
自由流通量	46.3%
52周交易区间	5.69-8.40港元
三个月日均成交量	1,170万美元
主要股东	李贤义 (20.3%)

来源：彭博，中国银河国际证券研究部

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主要财务指标 (百万港元)	2014	2015	2016	2017E	2018E
收入	10,861.1	11,460.3	12,848.4	14,346.4	16,008.0
变动(同比%)	9.3	5.5	12.1	11.7	11.6
毛利润	2,733.4	3,132.7	4,659.3	5,191.2	5,742.9
毛利率(%)	25.2	27.3	36.3	36.2	35.9
净利润	1,364.3	2,113.1	3,213.4	3,606.3	4,031.0
净利润率(%)	12.6	18.4	25.0	25.1	25.2
每股收益(基本)	0.35	0.54	0.83	0.90	1.01
变动(同比%)	(61.3)	54.9	54.2	8.9	11.8
每股派息	\$0.150	\$0.265	\$0.400	\$0.445	\$0.497
净资产收益率(%)	11.1	16.9	24.8	25.7	25.4
股息收益率(%)	1.96	3.46	5.22	5.80	6.49
市盈率(倍)	22.1	14.3	9.3	8.5	7.6
市净率(倍)	2.4	2.4	2.3	2.1	1.8
自由现金流收益率(%)	-0.61%	3.48%	5.73%	3.22%	7.64%
资本开支(百万港元)	(1,729.0)	(1,967.0)	(1,853.0)	(2,500.0)	(1,501.0)
每股自由现金流	(0.0)	0.3	0.4	0.2	0.6
净负债比率(%)	42.0	37.2	37.3	38.3	31.7

来源：彭博，中国银河国际证券研究部

Xinyi Glass [0868.HK]

Key takeaways from plant visit

We joined the plant visits organized by both Xinyi Glass (XYG) and Xinyi Solar (XYS) last week. During the discussion, management of both Companies reiterated their positive views on the outlook. XYG management mentioned that there is no major reason for the float glass price to come down, given the more favourable supply/demand dynamics. XYG has shipped float glass from its Malaysian plant (small volume at this stage) to China given the tight supply/demand situation. XYG management further elaborated that the overseas expansion will have a positive impact on the Company's overall profitability; the details of the expansion are likely to be released by end of this year. Management also highlighted that growth in auto glass products, which had declined YoY in 1H 2017, reported YoY growth in Q3 2017 and that sales of auto glass products will pick up in 2H 2017. The increase in average selling prices (ASP) has more than offset the impact of the increase in costs, especially for soda ash. Regarding XYS, demand for solar glass remains strong, and XYS is considering another ASP hike in near term after a hike in Q3 2017. The HoH increase in sales volume and better pricing of solar glass will offset the impact of lack of booking of EPC revenue in 2H 2017 vs. 1H 2017. XYS's operating performance is unlikely to see a major HoH decline in 2H 2017. XYS management also highlighted that the Chinese government is more active in paying back subsidies, which we believe will ease market concerns. We believe the float glass industry in China will see more favourable supply/demand dynamics, as the cold repairing cycle is likely to start in 2018, which will reduce production capacity, as will potential industry consolidation triggered by other glass manufacturers, which is positive for XYG. The improvement in sentiment on XYS is also positive for XYG, which is now trading at a 8.5x 2017 PER and an estimated yield of 5.8%. With its undemanding valuation, we maintain our BUY call, with a target price of HK\$10.13 (based on a 11x 2017E PER, lower than its historical average and the average of its listed peers).

Investment Highlights

- Addressing concerns.** During the discussion, XYG management addressed concerns of the market. Soda ash prices have increased substantially since early Sep 2017, up from RMB1,800 per tonne in Q2 to RMB2,400–2,450 per tonne recently. According to XYG management, the jump in the soda ash price in China was due to capacity shut down, given increasing environmental protection controls. XYG secured a supply of soda ash at lower cost from overseas suppliers, which will help protect the Company's profitability in the face of an increase in the soda ash price in the China market. The increase in the float glass price has more than offset the impact of the increase in soda ash price. The potential increase in the natural gas price in the winter season is expected to have a limited impact on XYG's profitability, given last year's experience. XYG management shares our view that there is no major reason for a sharp fall in the float glass price in the near term. XYG management is confident that the growth in auto glass products will pick up in 2H 2017 vs. a YoY decline in 2H 2017 and that Q3 2017 top-line growth is on track. XYG has shipped float glass products from its Malaysian plant to China given the tight supply situation.
- Overseas expansion is positive.** Regarding overseas expansion, XYG is likely to focus on countries such as Malaysia and Canada, where we think the risks are more controllable, so investors should have less concern. XYG is finalizing the details of its overseas expansion and is likely to announce them by the end of 2017. If the project in Canada is finalized, XYG will serve both the Canada and US markets. XYG will also install construction glass production facilities to cope with end demand. Management highlighted that the project in Canada is likely to offer higher profitability, given lower competition and lower energy costs. The overseas expansion should have a positive effect on XYG's overall probability. Concern about XYG's overseas expansion is somewhat overdone, in our view.
- Non-float glass operations to pick up in 2H 2017.** XYG's automobile glass division is expected to pick up in 2H 2017, as the impact of the spin-off of Xinyi HK [8328.HK] and the anti-dumping case in Brazil has faded. According to XYG management, the Company's sales of automobile glass resumed growth in Q3 2017. Management highlighted that the Chinese government is cleaning up the subsidy issue. XYS is close to getting the subsidies for the 6th batch of solar energy subsidies, which is estimated at about RMB200m. XYS is submitting the details for the 7th batch of subsidies. Demand for solar glass remains strong and management believes 2H 2017 results, with a high contribution from its EPC business will be supported by a 20% HoH increase in capacity and better pricing. The ASP hike in solar glass will boost market sentiment on XYS, which is also indirectly positive for XYG.

Key Financials (in HKDm)	2014	2015	2016	2017E	2018E
Revenue	10,861.1	11,460.3	12,848.4	14,346.4	16,008.0
Change (YoY %)	9.3	5.5	12.1	11.7	11.6
Gross Profit	2,733.4	3,132.7	4,659.3	5,191.2	5,742.9
Gross Margin %	25.2	27.3	36.3	36.2	35.9
Net Profit	1,364.3	2,113.1	3,213.4	3,606.3	4,031.0
Net Margin %	12.6	18.4	25.0	25.1	25.2
EPS (Basic)	0.35	0.54	0.83	0.90	1.01
Change (YoY %)	(61.3)	54.9	54.2	8.9	11.8
DPS	\$0.150	\$0.265	\$0.400	\$0.445	\$0.497
ROE (%)	11.1	16.9	24.8	25.7	25.4
Dividend Yield (%)	1.96	3.46	5.22	5.80	6.49
PER (x)	22.1	14.3	9.3	8.5	7.6
PBR (x)	2.4	2.4	2.3	2.1	1.8
FCF Yield (%)	-0.61%	3.48%	5.73%	3.22%	7.64%
Capex (m)	(1,729.0)	(1,967.0)	(1,853.0)	(2,500.0)	(1,501.0)
Free cash flow per share	(0.0)	0.3	0.4	0.2	0.6
Net Gearing (%)	42.0	37.2	37.3	38.3	31.7

Source: Bloomberg, CGIS Research

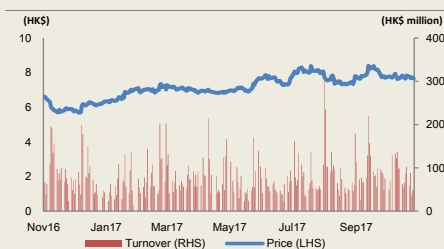
China Construction Sector - Building Materials

BUY

Close: HK\$7.67 (Oct 27, 2017)

Target Price: HK\$10.13 (+32.0%)

Share Price Performance



Source: Bloomberg, CGIS Research

Market Cap	US\$3,930m
Shares Outstanding	3,939m
Auditor	Pricewaterhouse-Coopers
Free Float	46.3%
52W range	HK\$5.69-8.40
3M average daily T/O	US\$11.7m
Major Shareholder	Mr Lee Yin Yee (20.3%)

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Figure 1: Assumptions for XYG

	2012	2013	2014	2015	2016	2017F	2018F
Turnover (HKDm)							
Automobile glass	3,077.8	3,287.2	3,593.2	3,786.6	3,748.4	3,975.9	4,189.7
Construction glass	1,574.6	2,154.5	2,555.5	2,651.5	2,590.2	2,509.9	2,739.3
Float glass	3,780.6	4,494.3	4,712.4	5,022.2	6,509.8	7,860.6	9,079.0
Total	8,433.0	9,936.1	10,861.1	11,460.3	12,848.4	14,346.4	16,008.0
YoY Change (%)							
Automobile glass		6.8	9.3	5.4	(1.0)	6.1	5.4
Construction glass		36.8	18.6	3.8	(2.3)	(3.1)	9.1
Float glass		18.9	4.9	6.6	29.6	20.8	15.5
Total		17.8	9.3	5.5	12.1	11.7	11.6
Volume							
Automobile (piece)		12,110.0	12,889.0	13,582.8	13,582.8	14,262.0	14,975.1
Construction(sqm)		16,363.0	19,380.0	20,107.5	21,716.1	20,630.3	22,074.4
Float glass (tonne)		2,927.0	3,510.0	3,856.8	4,435.3	4,657.0	5,122.7
YoY Change (%)							
Automobile (piece)			6.4	5.4	0	5.0	5.0
Construction(sqm)			18.4	3.8	8.0	(5.0)	7.0
Float glass (tonne)			19.9	9.9	15.0	5.0	10.0
ASP							
Automobile (HKD/piece)		271.4	278.8	278.8	276.0	278.8	279.8
Construction (HKD per sqm)		131.7	131.9	131.9	119.3	121.7	124.1
Float glass (HKD per tone)		1,535.5	1,342.6	1,302.2	1,467.7	1,687.9	1,772.3
YoY Change (%)							
Automobile (HKD/piece)			2.7	0.0	(1.0)	1.0	0.4
Construction (HKD per sqm)			0.1	0	(9.5)	2.0	2.0
Float glass (HKD per tone)			(12.6)	(3.0)	12.7	15.0	5.0
Gross margin (%)							
Automobile glass	42.8	43.3	41.8	44.3	49.0	48.0	48.0
Construction glass	37.2	39.9	35.3	33.9	39.9	37.5	37.5
Float glass	8.6	19.0	7.0	11.1	27.5	29.8	29.8
Blended	26.4	31.6	25.2	27.3	36.3	36.2	35.9
Net margin (%)	14.1	35.4	12.6	18.4	25.0	25.1	25.2
Cost (HKDm)							
S,G&A	(1,056.7)	(1,250.9)	(1,638.0)	(1,614.5)	(1,822.4)	(2,034.9)	(2,270.5)
Financial Expenses	(57.3)	(59.7)	(38.1)	(50.2)	(76.8)	(92.2)	(106.8)
YoY Change (%)							
S,G&A		18.4	30.9	(1.4)	12.9	11.7	11.6
Financial Expenses		4.2	(36.2)	32.0	53.0	20.0	15.9
CAPEX (HKDm)	1,435.3	3,752.3	1,729.0	1,967.0	1,853.0	2,500.0	1,501.0
Net Gearing (%)	35.8	33.6	42.0	37.2	37.3	38.3	31.7

Source: Company, CGIS Research

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