

Sunpower Group Ltd

Recovering margins



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SINGAPORE | INDUSTRIAL | 1Q22 RESULTS

23 May 2022

- Steam sales volume was up 22.6% YoY to 2.16mn tons.
- Green investments (GI) recurring revenue of RMB648.7mn, up 53.1% YoY, while margins are recovering QoQ. GI recurring PATMI of RMB28.7mn was up 6.4% YoY.

Results at a glance

RMB '000	1Q22	1Q21	YoY
Revenue	738,481	417,597	76.8%
- Steam sales volume (mn tons)	2.16	1.76	22.6%
Gross Margins	14.3%	18.9%	-4.6 ppts
PATMI	22,441	26,225	-14.4%
EPS (RMB cts)	2.82	3.30	-14.6%

Source: Company, PSR

The Positives

+ Steam sales volume in 1Q22 near record level. Strong growth in steam sales volume was due to the continued ramp-up of GI projects. This includes the Shantou Project and Tongshan project which commenced commercial production, supported by strong demand for industrial steam, despite renewed pressures from Covid-19 cases in certain parts of China, and the country's dynamic zero-Covid policy.

+ Recovering margins. Higher revenue was also due to higher steam prices, as Sunpower passed on higher costs to customers. Gross profit margin recovered from 4.7% in 4Q21 to 14.3% in 1Q22. Coal prices surged almost five times to RMB2,500/ton in 2H21.

The Negatives

- Negative operating cash flow. In 1Q22, Sunpower recorded negative operating cash flow of RMB66.3mn, which is mainly due to lower working capital, as a result of higher trade receivables, which increased 26% from 4Q21 to RMB534.7mn.

- Higher net debt. Net debt increased 12% from 4Q21 to RMB2.6bn in 1Q22. Total borrowings increased 5% to RMB2.9bn, mainly for financing the Shantou and Tongshan projects.

Outlook

Continuing pandemic. The resurgence of the pandemic in China in 1Q22, which led to containment measures such as lockdowns, has affected some of Sunpower's customers. The company has implemented contingency plans and measures. The GI projects that were temporarily affected have also seen a recovery in operations.

Mitigating high feedstock costs. The National Development and Reform Commission (NDRC) has stated that it will guarantee coal transportation and further improve coal pricing mechanisms. China's coal output reached a record high of 4.07bn tons in 2021. YTD Apr 22, China coal output was up 11.8% to 1.45bn tons.

Sunpower also continues to execute a series of mitigation measures. Other than raising steam prices, the company is diversifying its feedstock mix to include biomass, sludge and general solids, as part of the circular economy model.

NON-RATED

CLOSING PRICE	SGD 0.405
FORECAST DIV	N.A.
TARGET PRICE	N.A.
TOTAL RETURN	N.A.

COMPANY DATA

Bloomberg CODE:	SPWGP SP
O/S SHARES (MN):	793.1
MARKET CAP (USD mn / SGD mn):	233 / 321
52 - WK HI/LO (SGD):	0.82 / 0.39
3M Average Daily T/O (mn):	0.42

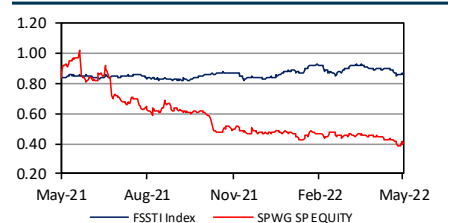
MAJOR SHAREHOLDERS

Guo Hong Xin	19.3%
Ma Ming	17.3%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(12.2)	(16.0)	(17.7)
STI RETURN	(2.2)	(5.3)	6.7

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, RMB (mn)	FY18	FY19	FY20	FY21
Revenue	3,262.9	3,604.6	1,335.1	2,902.3
EBITDA	496.0	709.2	484.2	1,386.1
PATMI	253.6	352.2	377.0	453.4
Adj PATMI	253.6	352.2	198.8	135.7
Adj EPS (SGD cents)	7.0	9.6	5.4	3.6
P/E (x)	6.4	4.7	8.4	12.4
Dividend yield (%)	0.4%	0.6%	0.7%	53.6%
ROE	14.6%	16.6%	19.0%	24.5%
ROA	3.8%	4.6%	4.6%	6.9%

Source: Company, PSR

VALUATION METHOD

N.A.

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The report is produced by Phillip Securities Research under the 'Research Talent Development Grant Scheme' (administered by SGX).

Financials

Income Statement

Y/E Dec, RMB '000	FY18	FY19	FY20	FY21
Revenue	3,262,893	3,604,632	1,335,133	2,902,319
Cost of sales	(2,569,081)	(2,716,075)	(948,919)	(2,557,549)
Gross profit	693,812	888,557	386,214	344,770
Selling & distri expenses	(58,052)	(53,752)	-	(40,022)
Admin expenses	(271,152)	(269,335)	(85,809)	(131,255)
Other opex	(30,003)	(83,672)	(4,505)	(42,812)
Gain on disposal of discontir	-	-	-	934,334
EBITDA	495,977	709,161	484,219	1,386,081
Depreciation & amortisation	(106,419)	(142,502)	(169,452)	(175,683)
EBIT	389,558	564,124	310,580	1,209,956
Finance costs	(61,824)	(109,912)	(76,056)	(530,216)
Profit before tax	327,734	454,212	234,524	679,740
Taxation	(62,147)	(90,708)	(75,309)	(241,914)
Minority interest	12,035	11,302	27,386	12,013
PATMI	253,552	352,202	377,026	453,372
Adj. PATMI	253,552	352,202	198,800	135,700

Per share data

Y/E Dec	FY18	FY19	FY20	FY21
EPS (RMB cents)	33.1	45.2	18.0	51.5
Adj EPS (RMB cents)	33.1	45.2	25.2	17.1
Adj EPS (SGD cents)	7.0	9.6	5.4	3.6
DPS (SGD cents)	0.2	0.3	0.3	24.1
BVPS (RMB cents)	195.1	268.3	321.2	252.1
BVPS (SGD cents)	40.7	56.0	67.1	52.6

Cash Flow

Y/E Dec, RMB '000	FY18	FY19	FY20	FY21
CFO				
Profit before tax	327,734	454,212	234,524	679,740
Adjustments	173,610	299,030	316,750	380,425
WC changes	(174,409)	(168,315)	(123,436)	(898,314)
Cash generated from ops	326,935	584,927	709,249	434,469
Income tax paid	(46,641)	(83,421)	(128,537)	(83,033)
Cashflow from ops	229,251	436,559	512,650	223,208
CFI				
CAPEX, net	(71,105)	(104,664)	(79,027)	(90,000)
Others	(695,606)	(1,139,191)	(702,043)	562,204
Cashflow from investments	(766,711)	(1,243,855)	(781,070)	472,204
CFE				
Loans, net of repayments	170,517	877,481	263,817	451,724
Dividends paid	(4,239)	(7,302)	(10,001)	(936,609)
Others	153,764	(57,747)	(141,214)	(346,578)
Cashflow from financing	320,042	812,432	112,602	(831,463)
Net change in cash	(217,418)	5,136	(155,818)	(136,051)
CCE, end	685,306	690,482	534,495	398,399

Source: Company, PSR

Balance Sheet

Y/E Dec, RMB '000	FY18	FY19	FY20	FY21
ASSETS				
Trade and other receivables	1,581,719	1,693,174	1,759,771	1,317,197
Cash	685,306	690,481	534,491	398,399
Inventories	499,862	545,015	541,003	122,706
Total current assets	2,982,368	3,234,381	3,354,419	1,367,572
PPE & IA	2,943,541	3,539,689	4,006,566	4,620,883
Land use rights	285,513	294,217	-	-
Others	411,979	551,876	924,132	616,271
Total non-current assets	3,641,033	4,385,782	4,930,698	5,237,154
Total Assets	6,623,401	7,620,163	8,285,117	6,604,726
LIABILITIES				
Trade and other payables	2,499,235	2,093,828	2,130,790	664,243
Bank borrowings	492,904	1,009,611	766,378	766,378
Others	72,709	88,398	71,743	45,853
Total current liabilities	3,064,848	3,191,837	2,968,911	1,476,474
Long-term borrowings	839,429	1,272,203	1,783,137	2,142,726
Convertible bonds	836,803	816,978	1,326,284	909,727
Others	148,190	221,255	222,314	225,004
Total non-current liabilities	1,824,422	2,310,436	3,331,735	3,277,457
Total Liabilities	4,889,270	5,502,273	6,300,646	4,753,931
Net assets	1,734,131	2,117,890	1,984,471	1,850,795
Represented by:				
Share capital	55,439	57,251	57,251	57,662
Retained earnings	1,026,344	1,308,380	1,011,993	1,028,665
Others	411,931	485,689	601,909	500,297
Non-controlling interest	240,417	266,570	313,318	264,171
Total Equity	1,734,131	2,117,890	1,984,471	1,850,795

Valuation Ratios

Y/E Dec	FY18	FY19	FY20	FY21
P/E (x)	6.4	4.7	8.4	12.4
P/B (x)	1.10	0.80	0.67	0.86
EV/EBITDA (X)	5.0	5.0	8.3	3.1
Dividend Yield (%)	0.4%	0.6%	0.7%	53.6%

Growth & Margins

Growth				
Revenue	66.0%	10.5%	-63.0%	117.4%
EBITDA	113.5%	43.0%	-31.7%	186.3%
EBIT	113.8%	44.8%	-44.9%	289.6%
Net profit, adj.	117.5%	38.9%	-43.6%	-31.7%
Margins				
Gross margin	21.3%	24.7%	28.9%	11.9%
EBITDA margin	15.2%	19.7%	36.3%	47.8%
EBIT margin	11.9%	15.6%	23.3%	41.7%
Net profit margin	7.8%	9.8%	28.2%	15.6%

Key Ratios

ROE (%)	14.6%	16.6%	19.0%	24.5%
ROA (%)	3.8%	4.6%	4.6%	6.9%
Net Gearing (%)	37.3%	75.1%	101.5%	135.7%
Net Debt/EBITDA (X)	1.3	2.2	4.2	1.8

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