

Goldwind Science & Technology

Bloomberg: 2208 HK Equity | 002202 CH Equity | Reuters: 2208.HK | 002202.SZ

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DBS Group Research . Equity

15 Jan 2024

H: HOLD

Last Traded Price (12 Jan 2024): HK\$3.13 (HSI: 16,245)
Price Target 12-mth: HK\$3.70 (18.2% upside) (Prev HK\$4.50)

A: HOLD

Last Traded Price (12 Jan 2024): RMB7.77 (CSI300 Index: 3,284)
Price Target 12-mth: RMB8.10 (4.2% upside) (Prev RMB6.30)

Analyst

Patricia Yeung +852 36684189 patricia_yeung@dbs.com
Ian Chui +852 36684174 ianchui@dbs.com

What's New

- Falling turbine ASP continues to cap share price upside
- FY24/25 WTG ASP assumptions slashed by 14%/16%
- Exploring export markets, domestic China wind turbine ASP the key share price driver.
- Maintain HOLD on Goldwind H/A shares; lower TPs of HK\$3.7/Rmb8.1

Struggle continues

Investment Thesis

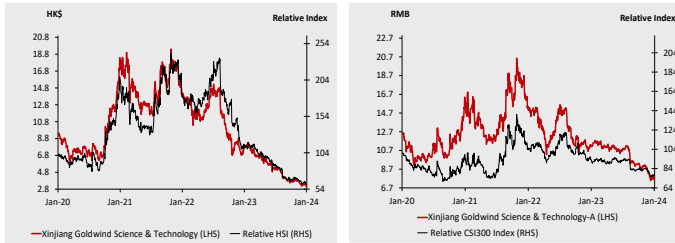
Major global wind turbine generator (WTG) manufacturer. In addition to scale, Goldwind is a leader in terms of WTG quality, R&D, pricing, and after-sales services as well. Goldwind also develops and operates wind farms, providing insights into customer demand.

Stiff competition suppressing WTG ASP. Competition remains stiff among Chinese WTG makers. We cut our FY24/25F ASP assumptions by 14%/16% to reflect the latest pricing data, and expect WTG segment gross margin to stay flat at c.6% for FY24/25, which compares unfavourably to the pre-COVID average of c.14%-25%. We cut our FY24/25F EPS estimate by 8%/3%.

Export markets being explored; domestic China wind turbine ASP rebound a crucial point. We estimate Goldwind derives c.70% of FY23 revenue from WTG sales, where prices have declined by 7% since Jan 2023. The rate of ASP decline has been slowing; the length of the downturn was still longer-than-expected. Goldwind is now exploring export markets (16% of Jun 2023's external orders) to mitigate the impact of weak pricing in domestic China. However, the export business may present a new set of challenges. Domestic China WTG prices will need to rebound sustainably before we can see a positive re-rating of Goldwind's shares.

Maintain HOLD on Goldwind H/A shares with lower TPs of HK\$3.7/Rmb8.1. We roll forward our valuation basis to FY24F EPS. We also cut our H/A target P/E to 5x/12x, 1.5SD below the average since 2020, (prev: 1SD). A lower target P/E is warranted considering the challenging pricing environment.

Price Relative



Forecasts and Valuation (H Shares)

FY Dec (RMBm)	2022A	2023F	2024F	2025F
Turnover	46,254	50,032	50,071	54,143
EBITDA	6,319	6,018	7,167	8,078
Pre-tax Profit	2,772	2,625	3,251	3,665
Net Profit	2,198	2,077	2,620	2,980
EPS (RMB)	0.52	0.49	0.62	0.71
EPS (HK\$)	0.57	0.54	0.68	0.77
EPS Gth (%)	(39.0)	(5.5)	26.2	13.7
DPS (HK\$)	0.13	0.15	0.18	0.22
BV Per Share (HK\$)	9.84	10.24	10.74	11.37
PE (X)	5.5	5.8	4.6	4.1
P/Cash Flow (X)	2.1	4.8	2.5	1.9
P/Free CF (X)	nm	nm	nm	nm
EV/EBITDA (X)	5.7	5.8	5.3	5.0
Net Div Yield (%)	4.2	4.8	5.9	7.1
P/Book Value (X)	0.3	0.3	0.3	0.3
Net Debt/Equity (X)	0.5	0.5	0.5	0.6
ROAE (%)	5.9	5.3	6.4	7.0
Earnings Rev (%):		(9)	(8)	(10)
Consensus EPS (RMB)		0.53	0.67	0.75
Other Broker Recs:		B:9	S:1	H:8

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

Key Risks

Upside risk: Higher-than-expected turbine installations and ASP, as well as lower-than-expected commodity/component costs. **Downside risk:** Uncertain government policy and execution that may affect sales volume, and trade frictions that could impact the export business.

At A Glance

Issued Capital - H shares (m shs)	774
- Non H shrs (m shs)	3,451
H shs as a % of Total	18
Total Mkt Cap (HK\$m/US\$m)	31,684 / 4,051
Major Shareholders (%)	
Xinjiang Wind Energy Co., Ltd.	14.4
Hexie Health Insurance Co., Ltd.	14.1
China Three Gorges Renewables Co., Ltd.	10.2
Major H Shareholders (As % of H shares)	
H Shares-Free Float (%)	100.0
3m Avg. Daily Val. (US\$m)	2.4
GICS Industry: Industrials / Capital Goods	

Goldwind Science & Technology

Company Background

Xinjiang Goldwind Science & Technology Company (Goldwind) is China's No.1 manufacturer of wind turbine generators (WTG), deploying DDPM technology. It has installed total capacity of 50GW in wind power globally with 31,000 wind turbines on six continents and in 24 countries. In addition, it also has a wind power-generation operation with attributable grid-connected capacity of c.6GW across China.

Historical PE and PB band



Source: Thomson Reuters, DBS HK

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Key Assumptions

FY Dec	2021A	2022A	2023F	2024F	2025F
WTG sales volume (MW)	10,683.2	13,870.6	15,800.0	17,820.0	19,600.0
WTG ASP (Rmb/kW)	3,737.8	2,350.6	2,174.5	1,765.7	1,642.1
Attributable wind power installed capacity (MW)	5,375.3	6,322.1	7,215.3	8,108.5	9,001.7

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenues (RMB m)					
WTG Manufacturing	39,932	32,602	34,357	31,465	32,185
Wind Power Services	4,082	5,647	7,424	9,313	11,610
Wind farm investment and development	5,657	6,910	7,048	7,970	8,892
Others	1,075	1,094	1,204	1,324	1,456
Total	50,746	46,254	50,032	50,071	54,143
Gross profit (RMB m)					
WTG Manufacturing	6,954	1,962	2,032	1,902	1,946
Wind Power Services	491	1,344	1,336	1,676	2,090
Wind farm investment and development	3,868	4,518	4,722	5,340	5,957
Others	163	213	234	258	284
Total	11,476	8,038	8,325	9,176	10,277
Gross profit Margins (%)					
WTG Manufacturing	17.4	6.0	5.9	6.0	6.0
Wind Power Services	12.0	23.8	18.0	18.0	18.0
Wind farm investment and development	68.4	65.4	67.0	67.0	67.0
Others	15.2	19.5	19.5	19.5	19.5
Total	22.6	17.4	16.6	18.3	19.0

Source: Company, DBS HK

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Income Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenue	50,746	46,254	50,032	50,071	54,143
Cost of Goods Sold	(39,270)	(38,215)	(41,707)	(40,895)	(43,867)
Gross Profit	11,476	8,038	8,325	9,176	10,277
Other Opg (Exp)/Inc	(6,418)	(4,632)	(5,686)	(5,836)	(6,499)
Operating Profit	5,059	3,406	2,639	3,341	3,778
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	309	224	242	242	262
Net Interest (Exp)/Inc	(739)	(858)	(255)	(332)	(375)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	4,629	2,772	2,625	3,251	3,665
Tax	(848)	(335)	(317)	(393)	(443)
Minority Interest	(174)	(238)	(231)	(238)	(242)
Preference Dividend	0	0	0	0	0
Net Profit	3,607	2,198	2,077	2,620	2,980
Net Profit before Except.	3,607	2,198	2,077	2,620	2,980
EBITDA	7,696	6,319	6,018	7,167	8,078
Growth					
Revenue Gth (%)	(9.6)	(8.9)	8.2	0.1	8.1
EBITDA Gth (%)	36.2	(17.9)	(4.8)	19.1	12.7
Opg Profit Gth (%)	42.0	(32.7)	(22.5)	26.6	13.1
Net Profit Gth (%)	26.8	(39.0)	(5.5)	26.2	13.7
Margins & Ratio					
Gross Margins (%)	22.6	17.4	16.6	18.3	19.0
Opg Profit Margin (%)	10.0	7.4	5.3	6.7	7.0
Net Profit Margin (%)	7.1	4.8	4.2	5.2	5.5
ROAE (%)	10.3	5.9	5.3	6.4	7.0
ROA (%)	3.2	1.7	1.5	2.0	2.2
ROCE (%)	5.8	3.8	2.7	3.3	3.6
Div Payout Ratio (%)	29.3	23.1	27.8	27.3	29.1
Net Interest Cover (x)	6.8	4.0	10.3	10.1	10.1

Source: Company, DBS HK

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Balance Sheet (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Net Fixed Assets	37,263	37,461	42,079	45,957	49,105
Invt in Associates & JVs	5,903	5,401	6,095	6,790	7,504
Other LT Assets	28,564	31,588	24,529	23,983	24,585
Cash & ST Invt	9,669	16,313	19,918	17,957	15,604
Inventory	4,818	9,848	6,350	6,143	6,557
Debtors	25,901	26,141	23,188	23,206	25,093
Other Current Assets	7,549	10,071	10,071	10,071	10,071
Total Assets	119,665	136,822	132,229	134,107	138,519
ST Debt	4,864	6,484	6,484	6,484	6,484
Creditors	32,674	40,105	31,512	30,484	32,540
Other Current Liab	12,348	12,541	12,541	12,541	12,541
LT Debt	26,413	31,700	34,200	35,200	35,200
Other LT Liabilities	6,637	5,646	5,646	5,646	5,646
Shareholder's Equity	35,832	38,095	39,641	41,600	44,013
Minority Interests	897	2,251	2,205	2,152	2,094
Total Cap. & Liab.	119,665	136,822	132,229	134,107	138,519
Non-Cash Wkg. Capital	(6,755)	(6,586)	(4,445)	(3,606)	(3,360)
Net Cash/(Debt)	(21,609)	(21,871)	(20,765)	(23,726)	(26,079)
Debtors Turn (avg days)	175.8	205.3	179.9	169.1	162.8
Creditors Turn (avg days)	304.8	373.9	338.9	303.2	288.8
Inventory Turn (avg days)	52.0	75.3	76.6	61.1	58.2
Asset Turnover (x)	0.4	0.4	0.4	0.4	0.4
Current Ratio (x)	1.0	1.1	1.2	1.2	1.1
Quick Ratio (x)	0.7	0.7	0.9	0.8	0.8
Net Debt/Equity (X)	0.6	0.5	0.5	0.5	0.6
Net Debt/Equity ex MI (X)	0.6	0.6	0.5	0.6	0.6
Capex to Debt (%)	34.2	23.6	17.9	16.6	15.7
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

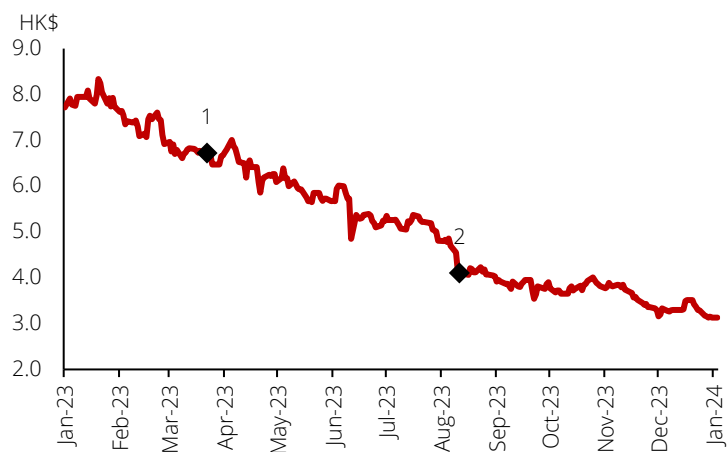
Cash Flow Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Pre-Tax Profit	4,629	2,772	2,625	3,251	3,665
Dep. & Amort.	2,183	2,526	3,137	3,584	4,039
Tax Paid	(848)	(1,284)	(317)	(393)	(443)
Assoc. & JV Inc/(loss)	(309)	(224)	(242)	(242)	(262)
(Pft)/ Loss on disposal of FAs	(1,533)	(1,269)	(542)	(526)	(510)
Chg in Wkg.Cap.	(1,905)	5,134	(2,141)	(839)	(245)
Other Operating CF	2,750	(1,773)	0	0	0
Net Operating CF	4,968	5,881	2,520	4,835	6,243
Capital Exp.(net)	(10,689)	(9,025)	(7,268)	(6,904)	(6,559)
Other Invt.(net)	3,284	3,012	(515)	(1)	(129)
Invt in Assoc. & JV	(584)	(452)	(452)	(452)	(452)
Div from Assoc & JV	499	182	0	0	0
Other Investing CF	(465)	144	7,200	514	(712)
Net Investing CF	(7,954)	(6,139)	(1,034)	(6,844)	(7,852)
Div Paid	(1,238)	(1,194)	(577)	(715)	(866)
Chg in Gross Debt	7,306	7,778	2,500	1,000	0
Capital Issues	0	107	0	0	0
Other Financing CF	(2,596)	226	0	0	0
Net Financing CF	3,471	6,917	1,923	285	(866)
Currency Adjustments	(49)	446	(231)	(238)	0
Chg in Cash	436	7,106	3,178	(1,962)	(2,475)
Opg CFPS (RMB)	1.63	0.18	1.10	1.34	1.54
Free CFPS (RMB)	(1.35)	(0.74)	(1.12)	(0.49)	(0.07)

Source: Company, DBS HK

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H Share - Target Price & Ratings 12-mth History

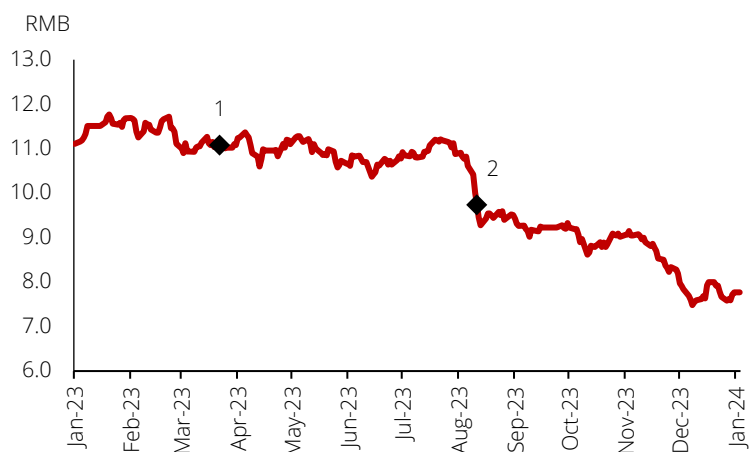


S.No.	Date	Closing Price	Target Price	Rating
1	3-Apr-23	HK\$6.71	HK\$8.40	HOLD
2	23-Aug-23	HK\$4.19	HK\$4.50	HOLD

Source: DBS HK

Analyst: Patricia Yeung
Ian Chui

A Share - Target Price & Ratings 12-mth History



S.No.	Date	Closing Price	Target Price	Rating
1	3-Apr-23	RMB11.04	RMB9.50	HOLD
2	23-Aug-23	RMB10.01	RMB6.30	HOLD

Source: DBS HK

Analyst: Patricia Yeung
Ian Chui

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

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*Share price appreciation + dividends

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Goldwind Science & Technology

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DBS Bank (Hong Kong) Limited

13th Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

Goldwind Science & Technology

DBS Regional Research Offices

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam

13th Floor One Island East,
18 Westlands Road, Quarry Bay, Hong Kong

Tel: 852 3668 4181

Fax: 852 2521 1812

e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Andy Sim

12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982

Tel: 65 6878 8888

e-mail: groupresearch@dbs.com

Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif

DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia

Tel: 62 21 3003 4900

Fax: 6221 3003 4943

e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul

989 Siam Piwat Tower Building,
9th, 14th-15th Floor

Rama 1 Road, Pathumwan,

Bangkok Thailand 10330

Tel. 66 2 857 7831

Fax: 66 2 658 1269

e-mail: research@th.dbs.com

Company Regn. No 0105539127012

Securities and Exchange Commission, Thailand