

Longi Green Energy Technology

Bloomberg: 601012 CH Equity | Reuters: 601012.SS

Refer to important disclosures at the end of this report

DBS Group Research . Equity

15 Jan 2024

HOLD

Last Traded Price (12 Jan 2024): RMB22.11 (CSI300 Index : 3,284)
 Price Target 12-mth: RMB22.00 (0% downside) (Prev RMB32.00)

Analyst

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What's New

- Module and wafer oversupply continue to pressure ASP
- At risk of missing mainstream TOPCon adoption with relatively small proportion of N-type module capacity
- Cut FY24/25F earnings by 14%/12% on lower ASP assumptions
- Maintain HOLD but lower TP to Rmb22

Oversupply persists

Investment Thesis

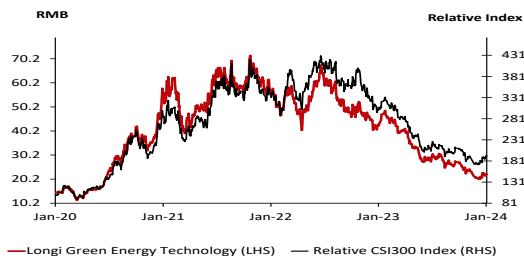
LONGi is the largest vertically integrated solar module manufacturer. The company targets to achieve 190GW, 110GW, and 130GW of total wafer, cells, and module production (30GW TOPCon) capacity as of end-2023.

ASP decline offsetting sales volume growth. We forecast LONGi to deliver FY24/25F module sales volume growth of 30%/2%, in line with our latest solar installation forecast. We cut our FY24/25F ASP assumptions for modules by 29%/20%.

Oversupply clouds near-term prospects. Module ASP is the key share price driver for LONGi. We do not see a substantial rebound in module prices given substantial oversupply. Furthermore, LONGi has a low proportion (c.23%) of capacity dedicated to TOPCon, compared to its largest peers which have >50%. LONGi is forging its own path with its P-type HPBC module. At this juncture, it is difficult to forecast whether HPBC can compete strongly with TOPCon.

Maintain HOLD with lower TP of Rmb22. We cut our FY24/25F EPS forecast by 14%/12%. Our target price is based on target P/E of c.11x, 1.5 SD (previous 1SD) below the average since 2020 of c.25x. We assign a lower valuation multiple to reflect higher technology adoption risk. However, LONGi has a strong balance sheet with net cash of Rmb46.2bn which should help the company ride out the downcycle.

Price Relative



Forecasts and Valuation

FY Dec (RMBm)	2022A	2023F	2024F	2025F
Turnover	128,998	141,845	119,840	130,685
EBITDA	17,852	21,034	18,568	20,362
Pre-tax Profit	16,405	19,309	16,852	18,677
Net Profit	14,812	17,215	15,038	16,658
EPS (RMB)	1.95	2.27	1.98	2.20
EPS Gth (%)	16.4	16.2	(12.6)	10.8
Diluted EPS (RMB)	1.95	2.27	1.98	2.20
DPS (RMB)	0.40	0.45	0.40	0.44
BV Per Share (RMB)	8.20	10.01	11.60	13.36
PE (X)	11.3	9.7	11.1	10.1
P/Cash Flow (X)	6.9	nm	7.3	8.3
P/Free CF (X)	8.3	nm	8.8	10.4
EV/EBITDA (X)	6.5	6.7	6.7	5.5
Net Div Yield (%)	1.8	2.1	1.8	2.0
P/Book Value (X)	2.7	2.2	1.9	1.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE(%)	27.0	24.9	18.4	17.6
Earnings Rev (%)		(1)	(14)	(12)
Consensus EPS (RMB)		2.02	2.12	2.46
Other Broker Recs:		B:25	S:5	H:7

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

Key Risks

Slowdown in solar installations, supply chain bottlenecks, polysilicon raw material cost fluctuations, uneven cell technology transition from PERC to TOPCon, intensifying competition, and sanctions on products by overseas governments

At A Glance

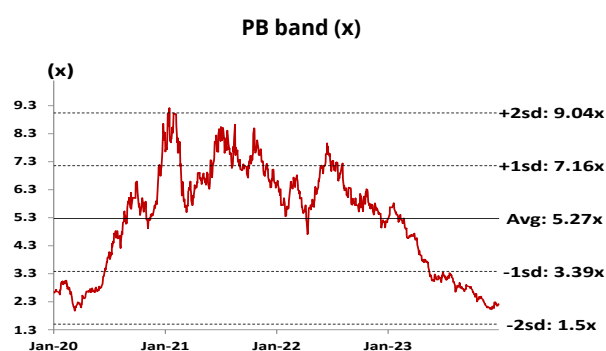
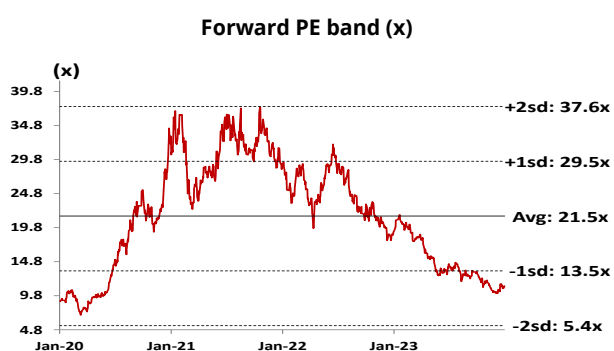
Issued Capital (m shrs)	7,578
Mkt Cap (RMBm/US\$m)	167,550 / 23,375
Major Shareholders (%)	
Li (Zhenguo)	14.1
Li (Xi Yan)	5.0
Free Float (%)	80.9
3m Avg. Daily Val. (US\$m)	361.9
GICS Industry: Industrials / Capital Goods	

Longi Green Energy Technology

Company Background

Established in 2000, LONGi Green Energy Technology Co., Ltd (LONGi) is the top manufacturer of solar modules and silicon wafers globally. Solar modules and silicon wafers accounted for 66% and 30% of its FY22 revenue, respectively. Other segments include operations of solar power stations and distributed power plants. The company derives c.63% of its revenue from Mainland China and c.37% from overseas markets. LONGi listed its A-shares (601012.CH) in Shanghai in April 2012. As at Dec 22, LONGi had wafer, cell, and module production capacity of 133GW, 50GW, and 85GW, respectively. The company targets to achieve 190GW, 110GW, and 130GW of total wafer, cells, and module production (30GW TOPCon) capacity as of end-2023.

Historical PE and PB band



Source: Thomson Reuters, DBS HK

Longi Green Energy Technology

Key Assumptions

FY Dec	2021A	2022A	2023F	2024F	2025F
Solar module sales volume (MW)	37,239.6	46,083.3	75,141.0	97,962.5	99,800.0
Silicon wafer sales volume (MW)	33,924.2	42,518.0	46,758.1	69,150.0	79,840.0

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenues (RMB m)					
Solar Module	58,454	84,849	115,717	97,963	104,790
Silicon Wafer	17,028	38,197	22,650	18,267	22,145
Centralized Power Station	1,942	2,643	2,907	3,023	3,144
Distributed Power Plant	562	554	571	588	606
Other segment	2,946	2,755	0	0	0
Total	80,932	128,998	141,845	119,840	130,685
Gross profit (RMB m)					
Solar Module	9,972	11,583	21,408	15,674	16,766
Silicon Wafer	4,691	6,728	4,983	3,288	4,097
Centralized Power Station	334	276	640	665	692
Distributed Power Plant	349	342	343	353	364
Other segment	733	905	640	665	692
	263	0	0	0	0
Total	16,343	19,834	28,012	20,645	22,610
Gross profit Margins (%)					
Solar Module	17.1	13.7	18.5	16.0	16.0
Silicon Wafer	27.5	17.6	22.0	18.0	18.5
Centralized Power Station	17.2	10.4	22.0	22.0	22.0
Distributed Power Plant	62.2	61.7	60.0	60.0	60.0
Other segment	24.9	32.8	N/A	N/A	N/A
Total	20.2	15.4	19.7	17.2	17.3

Source: Company, DBS HK

Longi Green Energy Technology

Income Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenue	80,932	128,998	141,845	119,840	130,685
Cost of Goods Sold	(64,590)	(109,164)	(113,833)	(99,195)	(108,075)
Gross Profit	16,343	19,834	28,012	20,645	22,610
Other Opng (Exp)/Inc	(4,781)	(5,017)	(10,286)	(5,350)	(5,566)
Operating Profit	11,562	14,817	17,726	15,295	17,044
Other Non Opg (Exp)/Inc	(424)	(253)	(245)	(307)	(269)
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(906)	1,841	1,828	1,865	1,902
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	10,232	16,405	19,309	16,852	18,677
Tax	(1,159)	(1,642)	(2,124)	(1,854)	(2,054)
Minority Interest	12	49	30	40	35
Preference Dividend	0	0	0	0	0
Net Profit	9,086	14,812	17,215	15,038	16,658
Net Profit before Except.	9,086	14,812	17,215	15,038	16,658
EBITDA	13,970	17,852	21,034	18,568	20,362
Growth					
Revenue Gth (%)	48.3	59.4	10.0	(15.5)	9.0
EBITDA Gth (%)	13.4	27.8	17.8	(11.7)	9.7
Opg Profit Gth (%)	11.7	28.1	19.6	(13.7)	11.4
Net Profit Gth (%)	6.2	63.0	16.2	(12.6)	10.8
Margins & Ratio					
Gross Margins (%)	20.2	15.4	19.7	17.2	17.3
Opg Profit Margin (%)	14.3	11.5	12.5	12.8	13.0
Net Profit Margin (%)	11.2	11.5	12.1	12.5	12.7
ROAE (%)	22.0	27.0	24.9	18.4	17.6
ROA (%)	9.8	12.5	11.8	9.5	9.8
ROCE (%)	18.8	19.1	18.2	13.7	13.5
Div Payout Ratio (%)	15.5	20.5	20.0	20.0	20.0
Net Interest Cover (x)	12.8	NM	NM	NM	NM

Source: Company, DBS HK

Longi Green Energy Technology

Balance Sheet (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Net Fixed Assets	24,875	25,147	25,501	25,250	25,308
Invt in Associates & JVs	4,533	9,885	9,885	9,885	9,885
Other LT Assets	9,375	13,707	15,084	14,604	15,550
Cash & ST Invt	29,549	55,931	29,525	46,707	59,113
Inventory	14,098	19,318	28,265	23,880	26,041
Debtors	8,680	9,687	35,629	34,445	33,002
Other Current Assets	6,625	5,881	8,519	7,938	8,224
Total Assets	97,735	139,556	152,407	162,709	177,122
ST Debt	4,328	758	758	758	758
Creditors	21,711	33,588	32,433	30,841	31,807
Other Current Liab	16,465	26,184	26,386	26,211	26,298
LT Debt	1,661	2,912	2,912	2,912	2,912
Other LT Liabilities	5,982	13,860	13,860	13,860	13,860
Shareholder's Equity	47,448	62,147	75,919	87,949	101,275
Minority Interests	139	108	138	177	212
Total Cap. & Liab.	97,735	139,556	152,407	162,709	177,122
Non-Cash Wkg. Capital	(8,774)	(24,885)	13,593	9,210	9,162
Net Cash/(Debt)	23,560	52,261	25,855	43,037	55,443
Debtors Turn (avg days)	46.6	26.0	58.3	106.7	94.2
Creditors Turn (avg days)	129.6	95.3	109.3	120.8	109.4
Inventory Turn (avg days)	75.5	57.6	78.7	99.5	87.2
Asset Turnover (x)	0.9	1.1	1.0	0.8	0.8
Current Ratio (x)	1.4	1.5	1.7	2.0	2.1
Quick Ratio (x)	0.9	1.1	1.1	1.4	1.6
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	74.3	115.1	120.3	104.0	112.1
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

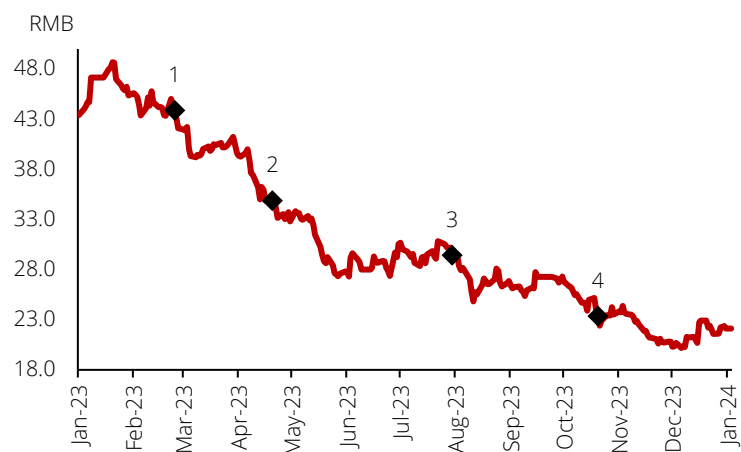
Cash Flow Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Pre-Tax Profit	9,074	14,763	19,309	16,852	18,677
Dep. & Amort.	3,198	3,688	3,554	3,581	3,587
Tax Paid	0	0	(2,124)	(1,854)	(2,054)
Assoc. & JV Inc/(loss)	0	0	0	0	0
(Pft)/ Loss on disposal of FAs	867	(2,530)	(30)	(40)	(35)
Chg in Wkg.Cap.	(1,617)	8,966	(38,478)	4,383	48
Other Operating CF	802	(517)	0	0	0
Net Operating CF	12,323	24,370	(17,770)	22,922	20,222
Capital Exp.(net)	(4,447)	(4,223)	(4,416)	(3,819)	(4,113)
Other Invt.(net)	(2,646)	(800)	61	79	70
Invt in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(48)	(28)	(868)	967	(477)
Net Investing CF	(7,141)	(5,051)	(5,224)	(2,772)	(4,520)
Div Paid	(1,281)	(1,558)	(3,443)	(3,008)	(3,332)
Chg in Gross Debt	(14)	6,058	0	0	0
Capital Issues	137	98	0	0	0
Other Financing CF	(931)	(298)	30	40	35
Net Financing CF	(2,088)	4,300	(3,413)	(2,968)	(3,297)
Currency Adjustments	(516)	1,001	0	0	0
Chg in Cash	2,578	24,620	(26,406)	17,182	12,406
Opg CFPS (RMB)	2.58	2.03	2.73	2.45	2.66
Free CFPS (RMB)	1.45	2.66	(2.93)	2.52	2.12

Source: Company, DBS HK

Longi Green Energy Technology

Target Price & Ratings 12-mth History



S.No.	Date	Closing Price	Target Price	Rating
1	8-Mar-23	RMB44.44	RMB65.00	BUY
2	2-May-23	RMB34.87	RMB60.00	BUY
3	11-Aug-23	RMB30.21	RMB41.00	BUY
4	1-Nov-23	RMB24.13	RMB32.00	HOLD

Source: DBS HK

Analyst: Patricia Yeung

Ian Chui

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DBS HK recommendations are based on an Absolute Total Return* Rating system, defined as follows:

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)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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