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Xinyi Glass Holding Limited | Asia Pacific

Preliminary net profit beats

Stock Rating
Overweight

Industry View
Attractive

Price Target
HK\$27.00

Xinyi Glass expects its 1H21 net profit to hike by 260-290% YoY to HK\$5bn-5.4bn, beating MSe. The higher earnings were mainly driven by: 1) material higher float glass selling price during the period as a result of solid demand from the property sector; 2) higher sales volume from the volume contribution from two production lines commenced in 3Q20; and 3) higher earnings contribution from Xinyi Solar.

We expect float glass prices to stay strong in 2H21 supported by low industry inventory, which fell 68% YoY to 16.2mn wt cases as of mid-June, and solid demand from property construction reflected in the improving property completion, supporting continued earnings growth in 2H21 for Xinyi Glass.

MORGAN STANLEY ASIA LIMITED+

Rachel L Zhang
EQUITY ANALYST
Rachel.Zhang@morganstanley.com +852 2239-1520

Hannah Yang, CFA
EQUITY ANALYST
Hannah.Yang1@morganstanley.com +852 2239-7079

Sara Chan
EQUITY ANALYST
Sara.Chan@morganstanley.com +852 2848-5292



Xinyi Glass Holding Limited (0868.HK, 868 HK)

Greater China Materials / China

Stock Rating	Overweight
Industry View	Attractive
Price target	HK\$27.00
Up/downside to price target (%)	(9)
Shr price, close (Jun 16, 2021)	HK\$29.70
52-Week Range	HK\$31.40-9.06
Sh out, dil, curr (mn)	4,056
Mkt cap, curr (mn)	HK\$120,454
EV, curr (mn)	HK\$116,174
Avg daily trading value (mn)	HK\$236

Fiscal Year Ending	12/20	12/21e	12/22e	12/23e
ModelWare EPS (HK\$)	1.59	2.14	2.38	2.53
Prior ModelWare EPS (HK\$)	-	-	-	-
EPS (HK\$)§	1.31	2.19	2.39	2.52
Revenue, net (HK\$ mn)	18,616	23,374	25,475	26,200
EBITDA (HK\$ mn)	5,975	9,068	10,264	10,971
ModelWare net inc (HK\$ mn)	6,422	8,665	9,665	10,260
P/E	13.6	13.9	12.5	11.7
P/BV	3.1	4.2	3.6	3.1
RNOA (%)	22.0	26.3	31.0	33.2
ROE (%)	30.8	31.1	34.0	30.8
EV/EBITDA	14.0	12.7	10.7	9.6
Div yld (%)	0.0	0.0	0.0	0.0
FCF yld ratio (%)**	1.1	6.9	7.2	7.8
Leverage (EOP) (%)	15.7	11.5	(4.7)	(18.0)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

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Valuation Methodology and Risks

Xinyi Glass Holding Limited(0868.HK)

Our price target is derived from a residual income model, which discounts our earnings forecasts through 2030. Our cost of equity is 9.4%, as calculated from a beta of 1.09, a 1.8% risk-free rate and a 7% equity risk premium. We assume a steady-state growth rate of 4%.

Risks to Upside

- Downstream demand growth is better than expected, driven by a recovery in the property and auto markets
- Capacity expansion is faster than expected
- Strict environmental protection policies cut more industry capacity

Risks to Downside

- Downstream demand from property market worse than expected
- Capacity expansion faces delays and production growth is below expectations
- Operating risks on overseas projects amid COVID-19

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(as of May 31, 2021)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MSC
Overweight/Buy	1517	44%	420	48%	28%	673	44%
Equal-weight/Hold	1430	41%	361	41%	25%	648	42%
Not-Rated/Hold	0	0%	0	0%	0%	0	0%
Underweight/Sell	530	15%	91	10%	17%	209	14%
TOTAL	3,477		872			1530	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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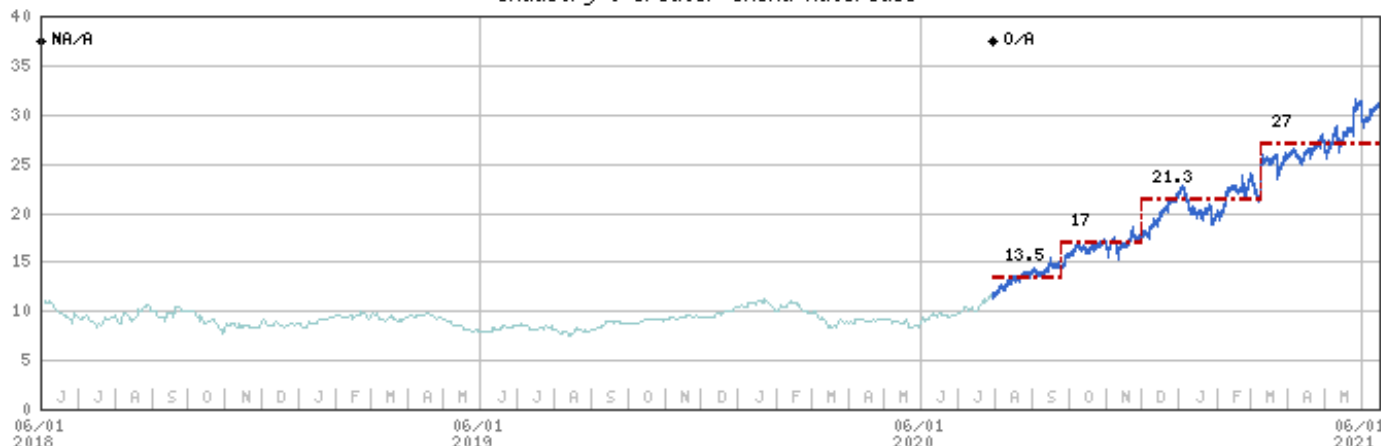
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Stock Price, Price Target and Rating History (See Rating Definitions)

Xinyi Glass Holding Limited (0868.HK) - As of 6/15/21 in HKD
 Industry : Greater China Materials



Stock Rating History: 6/1/16 : NA/A; 7/30/20 : O/A

Price Target History: 7/30/20 : 13.5; 9/24/20 : 17; 11/30/20 : 21.3; 3/10/21 : 27

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Greater China Materials

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/16/2021)
Hannah Yang, CFA		
MMG Ltd (1208.HK)	O (05/14/2020)	HK\$3.44
Shandong Pharmaceutical Glass Co. Ltd. (600529.SS)	O (01/04/2021)	Rmb34.21
Rachel L Zhang		
Aluminum Corp. of China Ltd. (601600.SS)	O (11/30/2020)	Rmb4.79
Aluminum Corp. of China Ltd. (2600.HK)	O (11/30/2020)	HK\$4.01
Angang Steel Company Limited (0347.HK)	O (11/28/2013)	HK\$4.63
Angang Steel Company Limited (000898.SZ)	O (01/09/2018)	Rmb4.20
Baoshan Iron & Steel (600019.SS)	O (01/16/2016)	Rmb7.69
China Jushi (600176.SS)	O (12/22/2020)	Rmb14.88
China Molybdenum (3993.HK)	O (09/24/2019)	HK\$4.52
China Molybdenum (603993.SS)	E (09/24/2019)	Rmb5.05
China Steel Corp. (2002.TW)	E (02/23/2021)	NT\$35.50
CSG Holding Co., Ltd. (000012.SZ)	E (07/30/2020)	Rmb9.84
Flat Glass Group Co Ltd (6865.HK)	O (07/30/2020)	HK\$24.65
Flat Glass Group Co Ltd (601865.SS)	O (07/30/2020)	Rmb29.90
Ganfeng Lithium Co. Ltd. (002460.SZ)	E (06/16/2020)	Rmb110.74
Ganfeng Lithium Co. Ltd. (1772.HK)	O (06/16/2020)	HK\$103.30
GEM Co Ltd (002340.SZ)	O (02/23/2021)	Rmb8.93
Jiangxi Copper (0358.HK)	O (09/24/2019)	HK\$15.56
Jiangxi Copper (600362.SS)	E (09/24/2019)	Rmb22.24
Lee & Man Paper Manufacturing (2314.HK)	U (06/01/2020)	HK\$6.23
Maanshan Iron & Steel (0323.HK)	E (03/24/2021)	HK\$3.61
Maanshan Iron & Steel (600808.SS)	E (03/24/2021)	Rmb3.70
Nine Dragons Paper (2689.HK)	E (11/06/2020)	HK\$10.76
Shandong Nanshan Aluminium Co. (600219.SS)	O (11/30/2020)	Rmb3.54
Tianqi Lithium Industries Inc. (002466.SZ)	++	Rmb46.86
Xinyi Glass Holding Limited (0868.HK)	O (07/30/2020)	HK\$29.70
Zhejiang Huayou Cobalt Co Ltd (603799.SS)	O (02/23/2021)	Rmb88.83
Zhuzhou Kibing Group Co Ltd (601636.SS)	O (07/30/2020)	Rmb17.24
Sara Chan		
FangDa Carbon New Material Co. Ltd. (600516.SS)	O (01/05/2021)	Rmb8.35
Shandong Gold Mining Co. Ltd (600547.SS)	U (11/06/2018)	Rmb19.72
Shandong Gold Mining Co. Ltd (1787.HK)	E (11/06/2018)	HK\$14.64
Zhaojin Mining Industry (1818.HK)	E (03/25/2021)	HK\$7.79
Zhongjin Gold Corp. Ltd. (600489.SS)	U (04/04/2019)	Rmb8.91
Zijin Mining Group (2899.HK)	O (07/09/2019)	HK\$9.99
Zijin Mining Group (601899.SS)	E (03/24/2021)	Rmb9.94

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.