

Zhejiang Jingsheng (300316 CH)

High visibility with backlog covering >80% of revenue in 2022E-23E

Jingsheng's net profit in 2021 / 1Q22 grew 99% YoY / 57% YoY, in line with the Company's pre-announced profit estimate. We see high visibility on the upcoming growth as the backlog (as of Mar) reached RMB22.2bn (solar / semiconductor: 94% / 6%) which is enough to cover >80% of our estimated revenue in 2022E-23E. Besides, during the post-results call, management remained confident that (1) the upgrade of solar wafer equipment will continue, and (2) semiconductor equipment will continue to see breakthrough given the robust demand. We have left our earnings forecast unchanged and maintain our TP of RMB93 (45x 2022E P/E). Maintain **BUY**.

■ **Results review in 2021 and 1Q22.** Net profit in 2021 surged 99% YoY to RMB1.71bn, driven by 56% YoY revenue growth and 3.1ppt YoY gross margin expansion (to 39.7%). The Company maintains a payout ratio of 21%, consistent with the previous three years (20-22%). In 1Q22, net profit grew 57% YoY to RMB442mn, driven by 114% YoY increase in revenue but only partially offset by the lack of one-off gains (RMB117mn in 1Q21, largely VAT rebate). The profit growth is therefore in line with our expectation. Net operating cash outflow was RMB744mn in 1Q22 (vs inflow of RMB37mn in 1Q21) as Jingsheng increased the procurement of key components in view of the upcoming shortage potentially.

■ **Sustainable solar wafer equipment upgrade.** Jingsheng believes that the upgrade of wafer equipment to satisfy large size format (182mm and 210mm) will continue over the coming 2-3 years. In particular, the potential decline of wafer price will potentially result in the phase-out of less profitable small-size wafer production capacities, thereby triggering demand for new furnaces. As at end-Mar, backlog for solar equipment reached RMB20.9bn, up 1.1x YoY and 10% QoQ.

■ **Robust demand for semiconductor equipment.** As at Mar 2022, backlog for semiconductor equipment increased 1.4x YoY (26% QoQ) to RMB1.34bn (6% of total backlog). Since the beginning of this year, the demand for 12-inch equipment has increased dramatically, as some customers started to procure equipment in large batch. Besides, given that Jingsheng already received orders for epitaxy equipment (8-inch), management is confident of winning contracts for epitaxy equipment (12-inch) in future.

■ **Risks: 1) Weaker-than-expected solar power capacity expansion; 2) lower-than-expected gross margin; 3) risk of semiconductor business expansion.**

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	3,811	5,961	11,830	14,731	17,546
YoY growth (%)	23	56	98	25	19
Net income (RMB mn)	858	1,712	2,671	3,276	3,908
EPS (RMB)	0.67	1.33	2.08	2.55	3.04
YoY growth (%)	35	99	56	23	19
Consensus EPS (RMB)	N/A	0.00	1.88	2.43	0.00
P/E (x)	65.9	33.1	21.2	17.3	14.5
P/B (x)	10.8	8.3	6.2	4.8	3.7
Yield (%)	0.3	0.6	0.9	1.2	1.4
ROE (%)	17.5	28.4	33.4	31.2	28.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **RMB93.00**
 (Previous TP **RMB93.00**)
 Up/Downside **+97%**
 Current Price **RMB47.30**

China Capital Goods

Wayne Fung, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

Stock Data

Mkt Cap (RMB mn) 60,850
 Avg 3 mths t/o (RMB mn) 548
 52w High/Low (RMB) 84.99/35.28
 Total Issued Shares (mn) 1,286

Source: Bloomberg

Shareholding Structure

Shaoxing Shangyu Jingsheng
 Invt. Mgmt. and Consulting 48.32%
 QIU Minxiu 2.97%
 CAO Jianwei 2.77%

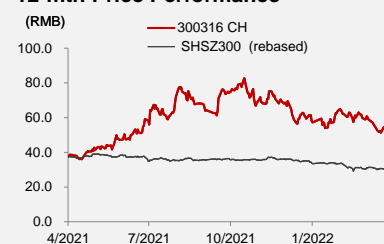
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-20.9%	-15.3%
3-mth	-18.7%	-3.6%
6-mth	-36.9%	-20.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Pan-China CPA

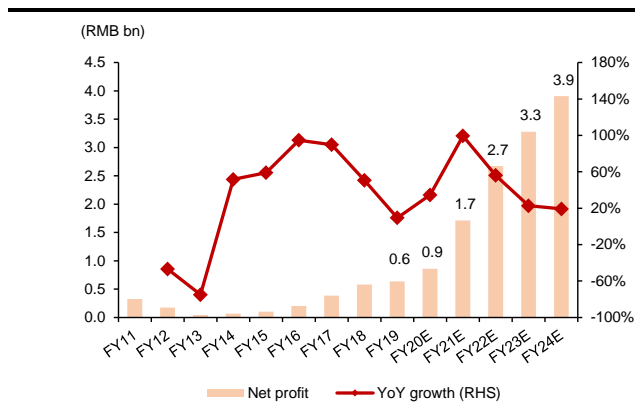
Related Reports

- Zhejiang Jingsheng (300316 CH, BUY) – Solid growth of solar equipment; SiC gaining traction – 3 Mar 2022
- Zhejiang Jingsheng (300316 CH, BUY) – Mega order intake to boost earnings in 2022E-23E; Raising earnings forecast and TP – 1 Sep 2021
- Zhejiang Jingsheng (300316 CH, BUY) Robust solar capex; Earnings & TP revised up – 2 Jul 2021

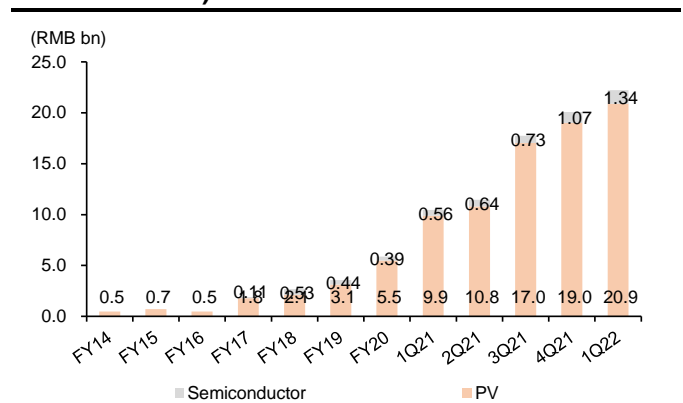
Figure 1: 2021 results review

(RMB mn)	FY20	FY21	YoY
Revenue	3,811	5,961	56%
Equipment and service	3,276	4,977	52%
Sapphire products	194	389	101%
Others	341	595	75%
COGS	-2,416	-3,593	49%
Gross profit	1,395	2,368	70%
Opex	-436	-653	50%
Core operating profit	959	1,715	79%
Impairment losses	-137	-100	-27%
Other expenses and incomes	129	300	131%
Pre-tax profit	992	1,984	100%
Income tax	-140	-256	83%
Minority interest	6	-17	n/a
Net profit	858	1,712	99%
Ratios	FY20	FY21	YoY
Gross profit margin	36.6%	39.7%	3.1ppt
Core operating margin	25.2%	28.8%	3.6ppt
ROE	17.5%	28.4%	10.8ppt
ROA	9.3%	12.5%	3.2ppt

Source: Company data, CMBIGM

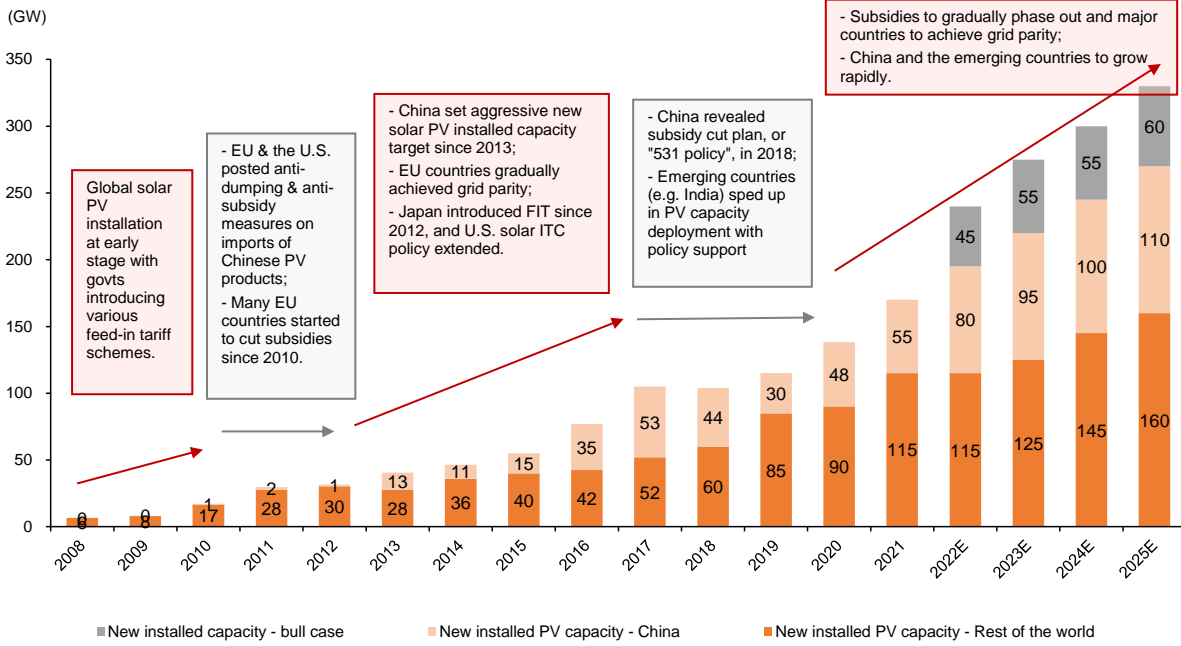
Figure 2: Jingsheng's net profit growth

Source: Company data, CMBIGM estimates

Figure 3: Jingsheng's total backlog reached RMB22.2bn (including RMB1.3bn from semiconductor) as at end-Mar 2022

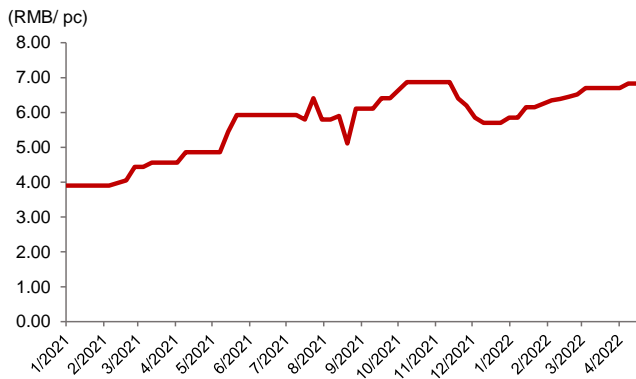
Source: Company data, CMBIGM

Figure 4: Global solar power installation history and projection



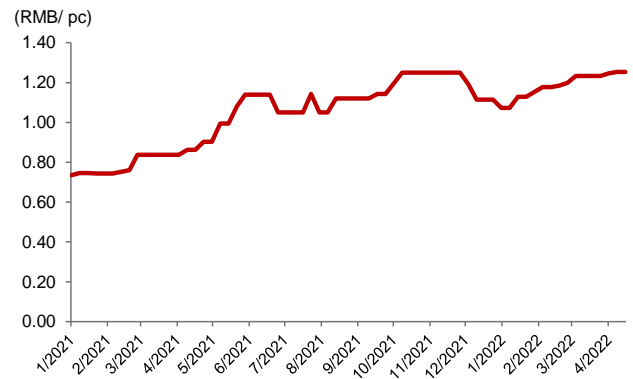
Source: CPIA, CMBIGM estimates

Figure 5: Monocrystalline wafer (182mm) price trend



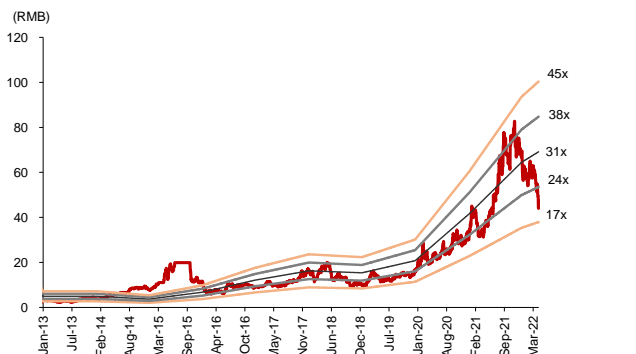
Source: PVInfoLink, CMBIGM

Figure 6: Monocrystalline wafer (210mm) price trend



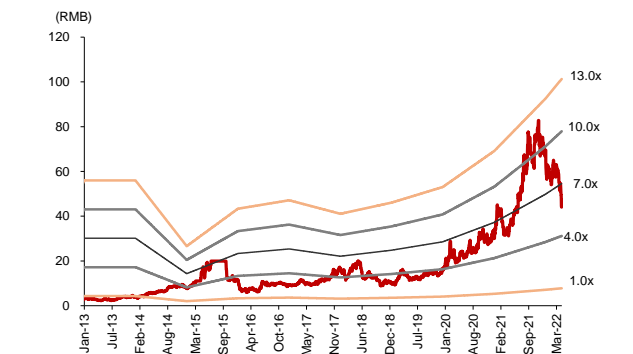
Source: PVInfoLink, CMBIGM

Figure 7: Jingsheng's forward P/E band



Source: Bloomberg, Company data, CMBIGM estimates

Figure 8: Jingsheng's forward P/B band



Source: Bloomberg, Company data, CMBIGM estimates

Financial Summary

Income statement						Cash flow					
YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	3,811	5,961	11,830	14,731	17,546	PAT	852	1,728	2,698	3,309	3,948
Equipment and service	3,276	4,977	10,451	13,064	15,676	D&A	136	153	184	227	276
Sapphire products	194	389	545	709	815	Change in working capital	(124)	(744)	(1,018)	(1,751)	(763)
Others	341	595	833	959	1,054	Others	90	599	(40)	(44)	(49)
COGS	(2,416)	(3,593)	(7,406)	(9,254)	(10,999)	Operating cash flow	954	1,737	1,824	1,740	3,411
Gross profit	1,395	2,368	4,423	5,477	6,546	CAPEX	(229)	(778)	(720)	(740)	(750)
S&M expenses	(33)	(30)	(59)	(74)	(88)	Others	(54)	(108)	(83)	(81)	(79)
G&A expenses	(136)	(200)	(355)	(427)	(509)	Investing cash flow	(283)	(886)	(803)	(821)	(829)
R&D expenses	(227)	(354)	(769)	(958)	(1,140)	Proceeds from fund raising	18	265	-	-	-
Other opex	(39)	(70)	(119)	(149)	(163)	Changes in borrowings	(44)	(4)	10	10	10
Core operating profit	959	1,715	3,121	3,870	4,646	Dividends paid	(132)	(174)	(360)	(534)	(655)
Impairment losses	(137)	(100)	(227)	(278)	(325)	Others	(209)	(11)	(2)	(3)	(3)
Other expenses and incomes	129	300	87	63	53	Financing cash flow	(366)	75	(352)	(527)	(648)
Pre-tax profit	992	1,984	3,101	3,803	4,537	Net change in cash	305	927	669	392	1,933
Income tax	(140)	(256)	(403)	(494)	(590)	Cash at the beginning	542	847	1,783	2,451	2,843
Minority interest	6	(17)	(27)	(33)	(39)	Forex change, net	0	9	-	-	-
Net profit	858	1,712	2,671	3,276	3,908	Less: restricted cash	88	82	-	-	-
						Cash at the end	847	1,783	2,451	2,843	4,777

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Current assets	7,962	13,190	20,396	24,532	29,899	Revenue mix (%)					
Cash and restricted cash	938	1,867	2,536	2,927	4,861	Equipment and service	86	83	88	89	89
Trade receivables	3,713	4,147	10,292	12,521	14,563	Sapphire products	5	7	5	5	5
Inventories	2,580	6,051	6,443	7,958	9,349	Others	9	10	7	7	6
Other current assets	731	1,126	1,126	1,126	1,126	YoY growth (%)					
Non-current assets	2,536	3,694	4,355	4,996	5,602	Revenue	23	56	98	25	19
Long-term equity investment	824	977	1,102	1,230	1,362	Gross profit	26	70	87	24	20
Fixed assets	1,135	1,509	1,925	2,364	2,791	Net profit	35	99	56	23	19
Other non-current assets	577	1,208	1,327	1,402	1,449	Operating efficiency					
Total assets	10,498	16,884	24,751	29,528	35,500	Gross margin	36.6	39.7	37.4	37.2	37.3
Current liabilities	5,201	9,620	15,149	17,151	19,830	Core operating margin	25.2	28.8	26.4	26.3	26.5
ST borrowings	22	29	39	48	58	Net profit margin	22.5	28.7	22.6	22.2	22.3
Trade payables	2,775	4,147	8,443	9,254	10,449	B/S ratios (%)					
Contract liabilities	2,003	4,964	6,187	7,369	8,843	Net gearing	Net cash	Net cash	Net cash	Net cash	Net cash
Other current liabilities	401	480	480	480	480	Receivable turnover	303	216	214	283	282
Non-current liabilities	46	147	148	148	149	Inventory turnover	190	264	193	178	180
LT borrowings	11	2	2	3	3	Payable turnover days	351	352	310	349	327
Other non-current liabilities	35	146	146	146	146	Profitability (%)					
Total liabilities	5,247	9,767	15,296	17,299	19,979	ROE	17.5	28.4	33.4	31.2	28.9
Share capital	1,286	1,286	1,286	1,286	1,286	ROA	9.3	12.5	12.8	12.1	12.0
Reserves	1,528	1,738	1,738	1,738	1,738	Per share data (RMB)					
Retained earnings	2,426	3,810	6,121	8,863	12,115	EPS	0.67	1.33	2.08	2.55	3.04
Shareholders' fund	5,240	6,835	9,146	11,887	15,140	DPS	0.14	0.28	0.42	0.51	0.61
Minority interest	12	281	308	341	381	BVPS	4.08	5.31	7.11	9.24	11.77
Total equity	5,251	7,116	9,454	12,229	15,521						

Source: Company data, CMBIGM estimates

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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