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**China  
Power**



## Easy come, easy go?

**After dropping 47%, Hanergy is just back to Feb levels**

Literally as we were writing up our visit last week to Hanergy's Chengdu facilities for our *China Forum wrap*, the stock fell 47% and was suspended (HKEx link) at 10:40 am on 20 May. As this note goes to publication, there is still no clear indication of what drove the sudden collapse in the share price and we cannot add much to media speculation. But even after the fall, Hanergy is valued at 19x our very optimistic rough 2017 earnings estimate, which assumes that the company can overcome formidable technical challenges.

### A very rough day, indeed

Hanergy's market cap nearly halved to US\$21bn before it was suspended Wednesday morning. As of this morning there is still no clear explanation of what triggered the precipitous drop, and we cannot speculate beyond what is already in the media. There is also no clear timeline for when the company will be able to issue an announcement and come out of suspension. Ominously, there are HKEx stocks that have been in suspended animation for multiple years, although they are much smaller.

### Visit to Chengdu: Really making stuff

As it happens, we visited Hanergy Group's (parentco of Hanergy Thinfilm Power) manufacturing facilities and R&D lab outside Chengdu last week. The plant consists of two 300MW thin-film amorphous silicon (a-si) lines that were reportedly operating at near 100% utilisation. While it remains unclear where all these panels are destined for, clearly they really were being produced. There was also a fair amount of inventory stacked up in warehouses.

### R&D centre: Challenges remain

We also met senior R&D staff working primarily with the legacy a-si technology, but also with the more exciting technologies that Hanergy purchased from the USA and Europe. Of these, CIGS (copper indium gallium di-selenide) is the most promising. The engineers were quite frank about the challenges in ramping up this capacity on a very tight timeline. In particular, there is no way to use off-the-shelf equipment. This supports our contention, previously published, that the target timelines for CIGS production by end-2015 will be tricky.

### Cheap after the fall?

We do not formally cover Hanergy, but have built a very basic earnings model. As explained in our December 2014 note, *Are they really that good?* and our February note, *The 10th man on Hanergy*, even assuming the company can fight through the formidable challenges it faces in ramping up new technologies (CIGS) where others have failed, the stock is not especially cheap. After yesterday's drop, on our very optimistic rough numbers, the stock would be on c.19x 17F PE. For now in any case, that remains academic.

## Companies mentioned

Hanergy Thinfilm (N-R)  
Hanergy Group (N-R)

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