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Piper Jaffray Asia Securities Limited

Related Companies: 712 HK  
Share Price: HK\$2.9

#### RISKS TO ACHIEVEMENT OF TARGET PRICE:

(1) Cyclical industry; (2) high earnings sensitivity; (3) production ramp risk; (4) concentrated customer base; (5) policy risks; and (6) limited equipment suppliers.

## Comtec

712 HK - HK\$2.91

卡姆丹克太阳能

### Overweight

## Clean Technology & Industrial Growth

### Strong 4Q10 Margin Largely Offsets Lower-Than-Expected Volume

**CONCLUSION:** Comtec announced its 4Q10 revenue and gross margin at no less than Rmb300mil and 40%, respectively, implying a gross profit of at least Rmb120mil (vs. our estimate of Rmb147mil). The gross margin is stronger than we expected but the potential revenue fell short of our estimate probably due to a slower-than-expected production ramp-up. However, we believe the risk of production delay in 2011 is limited as we assume only 700MW shipment for the year, vs. the existing annual capacity of 600MW (Comtec has targeted a capacity of 1GW by end-11). We will provide an update after our Clean Tech Conference. We leave our earnings estimates and PT (HK\$3.80, based on 8x FY11E P/E) unchanged. Maintain OW.

- **Margin expansion in 4Q10 thanks to strong wafer price and effective cost cutting.** Comtec's 4Q10 margin reached >40%, up from 33.8% in 3Q10. Our check shows that benchmark wafer price was up >5% QoQ in 4Q10. We estimate Comtec's ASP to have reached US\$1/watt in 4Q10 (vs US\$0.95/watt in 3Q10). On the other hand, we believe Comtec has maintained good cost control to achieve such a high margin.
- **Potentially slower-than-expected progress in production ramp-up.** If the 4Q10 revenue came in at only Rmb300mil, this would mean a full-year revenue of Rmb1bil (vs. our forecast of Rmb1.19bil). The revenue shortfall would imply ~45MW of shipment in 4Q10 (vs ~44MW in 3Q10). We believe this was probably due to a delay in new capacity ramp-up. The strong margin, however, could largely offset the volume shortfall.
- **More updates post Piper Jaffray Clean Tech Conference.** We will provide an updated outlook after our Clean Tech Conference, held on Jan 12, 2010 in New York.

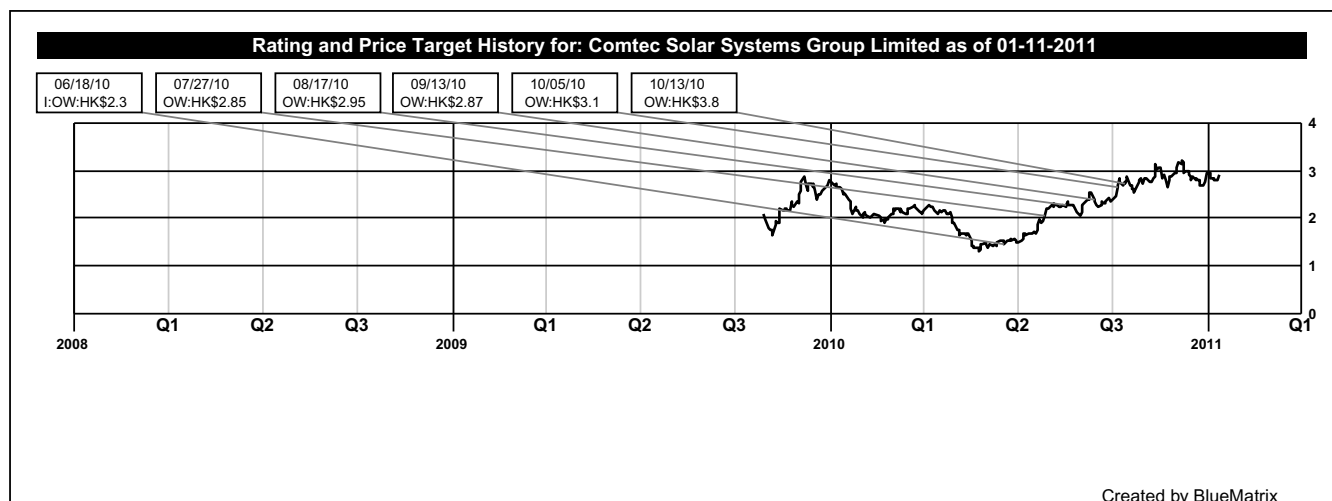
#### PRICE TARGET AND JUSTIFICATION:

We leave our earnings estimates and PT (HK\$3.80, based on 8x FY11E P/E) unchanged. Maintain OW.

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			Count	Percent
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