

JinkoSolar Holdings (NYSE: JKS) | Buy signal with price target \$73.20

Brief Presentation



JinkoSolar Holdings, together with its subsidiaries, engages in the design, manufacturing, development, and production of photovoltaic products. The company offers solar modules, silicon wafers, solar cells, recovered silicon materials and silicon ingots. It also provides solar system integration services and develops commercial solar power projects. The company is the market leader in Solar Empowered Energy and operates in China, U.S., U.K., Japan, U.A.E and Europe. It was founded in 2006 in Shangrao, China where it holds its HQ.

Technical Outlook

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JinkoSolar Holding Company Limited, United States, NYSE:JKS, D



\$JKS has been in a strong uptrend since March and as shown on the daily chart, the last four months the stock is in a sideways period. What is repeated is that when the price goes to the support area at around \$56, it goes up. On December 11th, the price broke the support area, but it turned out to be a fake breakout as since then the price reacted upwards. Moreover, each time the price reached the support area, the stochastic oscillator was at oversold levels as it was below 20. This time the scenario which has happened three times in the last four months is likely to be repeated.

Fundamental Approach and News

- The global solar energy market was valued at \$52.5 billion in 2018 and projected to reach \$223 billion in 2026 at a CAGR of 20.5% from 2019 to 2026.
- Biden administration and the entrance of the U.S. in the Paris MOU will be a huge bull for the 4 years to come in terms of use of solar energy, mitigation of environmental pollution from fossil fuels, provision of government incentives and tax rebates to install solar panels. Furthermore, decrease in the water footprint associated with solar energy systems has fueled the demand in the power generating sector.
- JKS provides services and products across the spectrum of solar energy, essentially betting in the rise of solar generating power as a renewable up and coming energy source, rather than an individual company. Furthermore, the diversification of its products and the geographical segmentation of its Business Model enhance the thesis of betting in favor of solar market. JKS though, recently reached the world record in terms of energy conversion rate at 24.08% having already delivered 52GW of power holding market share of 12,8% having already been ranked 1st for 4 consecutive years.
- JKS earnings are forecast to grow 24.24% per year with its Free Cash Flow to start being positive by the end of 2022. Revenue growth will be substantially increased, regarding the company's size as the forecasts suggest that a 15.6% rise will be apparent, whereas the U.S. Solar energy sector's revenue will grow by 10.3% CAGR. (Line of Best Fit through consensus of 7 Analysts).
- An evident setback can be that the company is operating in excessive leverage as its operating cash flow is negative, thus Debt/equity is at 197%. However, as of last year's impressive surge in renewable energy stocks, debt to equity has been reduced from 224% to 197% citing that the financing the company acquires are being used for further investing activities and expanding its market share with innovating products. Furthermore, its EBIT is 5x higher than its interest payments, creating a safe environment for further reallocation of capital into investment activities.

Prediction

Considering the news, fundamentals and the stock's behavior in the last four months, there is a bullish interest. We suggest a potential buy at the support area between \$55.5-\$57. If the price goes below \$50, the bears will have the control. So, if there is buy entry at the support area, an exit point with losses will be at \$44.49 while a profit taking area is around \$73, which means \$JKS is a possible long trade with almost 1.25 Risk Reward Ratio.

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