

2015年4月22日

中性
维持

竞争加剧，市场份额告急

华能国际电力股份 (902:HK)

Market Data:

Closing Price (HK\$)	10.16
Price Target (HK\$)	9.47
HSCEI	14,531
HSCCI	5,382
52-week High/Low (HK\$)	11.56/6.93
Market Cap (US\$m)	18,897
Market Cap (HK\$m)	146,511
Shares Outstanding (m)	14,420
Exchange Rate (Rmb-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

Analyst

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Related Reports

"Peak power" Mar 19, 2015
"Fuel injection" Jan 12, 2015
"Shifting gear" Nov 24, 2014

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (Rmbm)	133832.87	125406.86	139471.18	146289.67	154637.03
YoY (%)	(0.10)	(6.30)	11.21	4.89	5.71
Net income (Rmbm)	12900.02	13562.37	15138.27	16432.32	18039.03
YoY (%)	102.63	5.13	11.62	8.55	9.78
EPS (Rmb)	0.74	0.76	0.88	0.92	1.01
Diluted EPS (Rmb)	0.74	0.75	0.88	0.92	1.01
ROE (%)	17.16	16.00	16.70	17.24	17.92
Debt/asset (%)	71.33	69.19	66.74	65.55	64.50
Dividend Yield (%)	5.17	5.20	6.15	6.43	7.06
PE (x)	9.91	9.62	8.33	7.96	7.25
PB (x)	1.41	1.25	1.17	1.11	1.05
EV/Ebitda (x)	6.24	5.38	5.14	4.94	4.66

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

投资要点:

业绩超预期。华能公布 15 年 1 季度业绩，收入为 343 亿，同比下降 6.4%，归属公司股东净利润为 62 亿，同比增加 20.7%。每股收益 0.35 元，占彭博一致预期 39%，业绩超我们和市场的预期。

毛利到顶。低燃料成本是业绩超预期的主要原因。公司 1 季度单位燃料成本约为每兆瓦时 197 元，同比 14 年 1 季度的每兆瓦时 222 元下降 11%。由于公司维持了较稳定的售电价格（约每兆瓦时 400 元）毛利同比扩张了 5.8 个百分点至 31%。4 月的电价下调使得我们认为公司毛利已经于 1 季度触顶。由于发改委坚持市场化的电价改革，未来煤炭价格的下跌将会触发煤电联动，因此电力公司的毛利将受到压制。

利用小时数下降。公司装机因收购母公司资产而增长（从 14 年 1 季度的 64.3GW 增长 17.7%至 15 年一季度的 75.6GW）。装机快速增长也使得公司发电量自 14 年 1 季度的 731.37 亿度电增长 6.6%至 15 年 1 季度的 779.74 亿度电。但是由于经济持续疲弱，华能火电厂利用小时数同比下降 107 小时至 1031 小时，降幅为 9.4%。

竞争加剧。公司利用小时的下降也受制于其他诸如核电，水电的冲击。新投产的电厂基于成本优势截取华能的市场份额。我们预计电力市场化的改革将使得电力在全国范围内自由调配，从而使得竞争将不断加剧。华能大量布局的传统的高上网电价区域将吸引更多的发电主体参与到市场份额的争夺中。我们预计由于成本劣势华能将失掉部分的市场份额给内陆富煤地区的发电机组。

维持中性。我们预计由于电价下调未来 3 个季度盈利增长将放缓。如果煤价持续下跌，电价可能于下半年再次下调。我们维持 15-17 年每股收益 0.88/0.92/1.01 元，维持目标价 HK\$9.47。目标价对应现价有 6.8%的降幅，我们维持中性评级。

Investment Highlights:

Results exceed expectations. Huaneng Power International (HPI) reported 1Q15 revenue of Rmb34.3bn (-6.4% YoY), net profit of Rmb6.2bn (+20.7% YoY) and EPS of Rmb0.35, accounting for 39% of Bloomberg consensus. The results exceeded both the markets and our expectation.

Margin peak. Low fuel cost could be the major reason for the accelerated earnings. In 1Q15, unit power generation fuel cost reached c.Rmb197/MWh (-11% YoY from Rmb222/MWh). Since the company maintained stable on-grid tariff of c.Rmb400/MWh, gross margin expanded 5.8ppts YoY to 31%. We expect margins to peak in 1Q15 as tariff cuts of Rmb20/MWh kick-in in April 2015. Any coal price dip in the future would only induce the implication of on-grid tariff cuts for HPI and other independent power producer (IPP) peers as the National Development and Reform Commission (NDRC) devote itself to apply market oriented pricing. Margins could therefore be capped.

Utilisation decreased. Asset acquisitions from the parent company contributed to rapid capacity growth in 1Q15 (+17.7% YoY from 64.3GW in 1Q14 to 75.6GW in 1Q15), thereby increasing power generation (+6.6% YoY from 731,370GWh in 1Q14 to 779,740GWh in 1Q15). However, weak economic growth cut into HPI's coal-fired utilisation to 1,031 hours in 1Q15 (-9.4% YoY, down 107 hours).

Competition arises. A decrease in utilisation may also be attributed by rising competition from other power generation sources such as hydro and nuclear. These newly built plants win market share from HPI for lower power generation cost. We expect the competition to turn fierce as power reform free flows power generated nationwide. The traditional high power sale price region, where HPI locates most of its plants, may see increased competition. We therefore expect HPI to lose market share to low-cost in-land competitors that have easy access to coal resources.

Maintain Hold. We expect decelerating earnings growth over the three quarters due to the tariff cuts. If the price of coal continues to decrease, we expect further on-grid tariff cuts in 2H15. We maintain our EPS forecasts of Rmb0.88 in 15E (+15.5% YoY), Rmb0.92 in 16E (+4.7% YoY) and Rmb1.01 in 17E (+9.8% YoY). We maintain our DCF-based target price of HK\$9.47. With 6.8% downside, we maintain our Hold recommendation.

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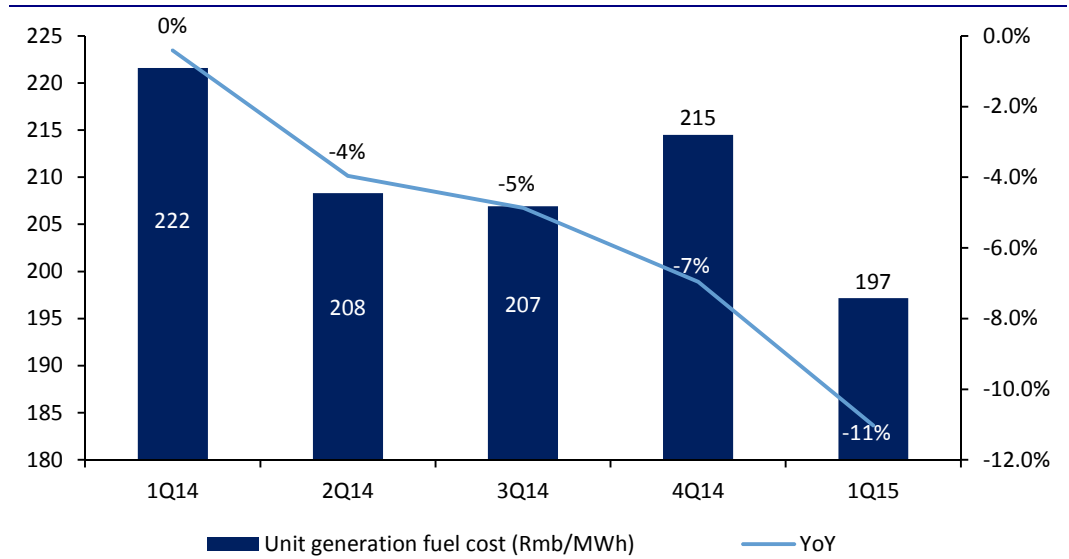
Fig 1: Revenue and profit for 1Q15

	1Q14 (restated)	1Q15	YoY
Revenue	36,631	34,278	-6.4%
Operating cost	(27,407)	-23,665	-13.7%
Tax and levies on operations	(279)	-348	24.6%
Selling expenses	(1)	-1	-10.1%
General and administrative expense	(853)	-921	8.0%
Financial cost	(2,052)	-1,910	-6.9%
Assets impairment reversal	0	-0	-592.5%
Loss from changes in fair value	7	-29	-508.2%
Investment income	256	344	34.5%
<i>Investment income for associates and jointly controlled entities</i>	209	297	42.3%
Op profit	6,302	7,747	22.9%
Non-operating income	565	512	-9.4%
Non-operating expense	(14)	-25	74.2%
<i>Loss on disposals of non-current assets</i>	(2)	-0	-99.6%
Profit before tax	6,853	8,235	20.2%
Income tax expense	(1,694)	-2,005	18.4%
NP	5,159	6,230	20.7%
Sharehold of the company	4,160	5,034	21.0%
Minority interest	999	1,196	19.6%
EPS	0.30	0.35	18.0%

Source: Company data, SWS Research

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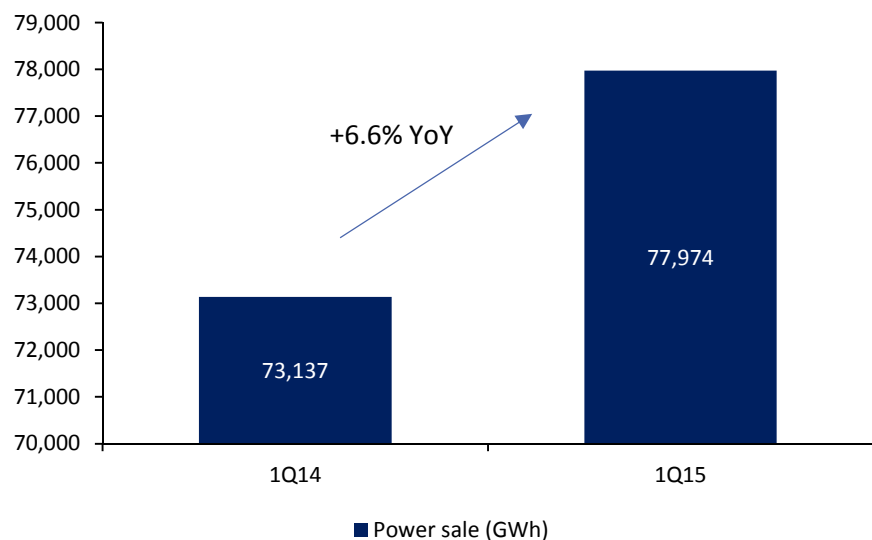
Fig 2: Unit generation cost decreased in 1Q15



Source: Company data, SWS Research

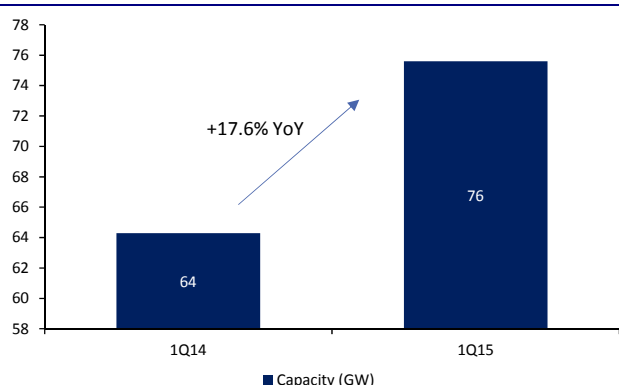
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Fig 3: Power sale was declined by 6.6% YoY in 1Q15.



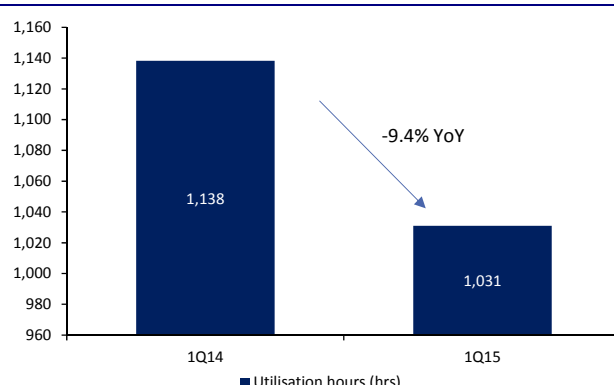
Source: Company data, SWS Research

Fig 4: Domestic capacity grow by 17.7% YoY in 1Q15



Source: Company data, SWS Research

Fig 5: Utilisation of coal-fired power plant decreased by 9.2% YoY in 1Q15



Source: Company data, SWS Research

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APPENDIX

Consolidated Cash Flow Statement

Rmbm	2013	2014E	2015E	2016E	2017E
Profit Before Taxation	17,423	19,050	20,737	22,510	24,711
Depr And Amortisation	11,546	11,647	13,284	14,156	15,173
Finance Cost	7,787	7,824	6,969	6,550	6,368
Losses From Investments	6	0	0	0	0
Change In Working Capital	6,778	823	-3,666	-239	-320
Others	-3,308	-6,803	-6,134	-6,642	-7,275
CF From Operating Activities	40,239	32,539	31,190	36,335	38,657
Capex	17,691	14,005	15,575	16,337	17,269
Other CF From Investing Activities	-1,363	-9,200	0	0	-6,000
CF From Investing Activities	-19,054	-23,205	-15,575	-16,337	-23,269
Equity Financing	868	0	0	0	0
Net Change In Liabilities	-10,918	-1,249	-3,168	-3,075	-2,985
Dividend And Interest Paid	-11,782	-13,165	-12,479	-13,064	-13,187
Other CF From Financing Activities	232	0	0	0	0
CF From Financing Activities	-22,240	-14,414	-15,648	-16,139	-16,172
Net Cash Flow	-1,164	-5,088	-33	3,860	-783
FCFF	64,790	57,377	57,692	64,675	69,095
FCFE	46,085	48,304	47,555	55,050	59,741

Consolidated Income Statement

Rmbm	2013	2014	2015E	2016E	2017E
Revenue	133,833	125,407	139,471	146,290	154,637
Power and heat sale	133,833	125,407	139,471	146,290	154,637
Other					
Cost of Sales	74,852	65,695	73,429	75,765	79,558
Power and heat sale	73,355	64,381	71,960	74,250	77,967
Other	1,497	1,314	1,469	1,515	1,591
Gross Profit	58,981	59,711	66,043	70,524	75,079
Other Income	1,005	1,599	947	857	920
Ebitda	43239	44886	47152	49049	51842
Ebit	24,252	25,415	26,899	28,343	30,301
Finance Costs	-7,693	-7,824	-6,969	-6,550	-6,368
Profit Before Tax	17,423	19,050	20,737	22,510	24,711
Income Tax Expense	-4,523	-5,487	-5,599	-6,078	-6,672
Minority Interests	2,474	2,805	2,422	3,122	3,427
Profit for the Year	12,900	13,562	15,138	16,432	18,039

Consolidated Balance Sheet

Rmbm	2013	2014	2015E	2016E	2017E
Current Assets	33,629	37,865	28,477	34,211	34,741
Bank Balances And Cash	9,433	12,608	4,221	8,080	7,297
Trade And Other Receivables	15,562	14,882	15,893	17,146	18,056
Inventories	6,469	6,702	5,715	6,128	6,379
Other Current Assets	2,165	3,673	2,649	2,858	3,009
Long Term Investment	19,790	21,960	19,864	17,278	12,850
PPE	181,415	188,379	195,285	197,466	209,562
Intangible And Other Assets	27,398	26,967	28,875	27,687	26,348
Total Assets	262,233	275,172	272,501	276,642	283,501
Current Liabilities	183,219	185,210	176,946	176,427	177,927
Borrowings	155,800	154,551	151,383	148,308	145,323
Trade And Other Payables	25,321	27,036	22,630	24,266	25,259
Other Current Liabilities	2,098	3,623	2,933	3,853	7,345
Long Term Liabilities	3,821	5,179	4,919	4,919	4,919
Total Liabilities	187,040	190,389	181,865	181,346	182,845
Minority Interests	12,742	14,653	17,075	20,197	23,625
Shareholder Equity	0	0	0	0	0
Share Capital	14,055	14,420	14,420	14,420	14,420
Reserves	23,615	25,624	27,283	27,756	28,238
Equity Attributable	24,780	30,085	31,858	32,923	34,372
Total Liabilities And Equity	262,233	275,172	272,501	276,642	283,501

Key Financial Ratios

	2013	2014	2015E	2016E	2017E
Ratios per share (Rmb)					
Earnings per share	0.74	0.76	0.88	0.92	1.01
Operating CF Per Share	2.86	2.31	2.16	2.52	2.68
Dividend Per Share	0.38	0.39	0.45	0.47	0.52
Key Operating Ratios (%)					
Net Assets Per Share	5.35	6.02	6.29	6.61	6.98
ROIC					
ROE	18.7	19.6	20.4	21.5	22.6
Gross Margin	17.2	16.0	16.7	17.2	17.9
Ebitda Margin	44.1	47.6	47.4	48.2	48.6
Ebit Margin	40.6	45.0	43.2	43.1	43.2
Growth Rate Of Revenue	26.5	29.4	28.7	29.0	29.3
Growth Rate Of Profit	-0.1	-6.3	11.2	4.9	5.7
Debt To Asset Ratio	102.6	5.1	11.6	8.5	9.8
Turnover Rate Of Net Assets	71.3	69.2	66.7	65.6	64.5
Turnover Rate Of Total Assets	178.0	147.9	153.9	153.5	153.6
Effective Tax Rate	51.0	45.6	51.2	52.9	54.5
Dividend Yield	5.17	5.20	6.15	6.43	0.00
Valuation Ratios (x)					
PE	9.9	9.6	8.3	8.0	7.3
PB	1.4	1.2	1.2	1.1	1.1
EV Sale	2.2	2.3	2.1	2.0	1.9
EV/Ebitda	5.4	5.1	4.9	4.7	4.4

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Trading BUY: Share price performance is expected to generate more than 20% upside over a 6-month period.

BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

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Equal weight : Industry performs about the same as that of the whole market :

Underweight : Industry performs worse than that of the whole market.

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