

2015 年 3 月 4 日

增持
维持

或现拐点

新天绿色能源 (956:HK)

Market Data: Mar,3

Closing Price (HK\$)	1.79
Price Target (HK\$)	2.10
HSCEI	11945
HSCCI	4628
52-week High/Low (HK\$)	3.72/1.48
Market Cap (Rmbbn)	2.7
Market Cap (HK\$bn)	3.3
Shares Outstanding (m)	1839
Exchange Rate (Rmb-HK\$)	1.23

Price Performance Chart:



Source: Bloomberg

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Related Reports

"China Suntien 0956HK- Stable natural gas and wind power operator; beneficiary of drive for reduced emissions in Hebei" Mar 22,2013

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Financial summary and valuation

	2012	2013	2014E	2015E	2016E
Revenue (Rmbm)	3,702	4,661	5,166	6,128	7,079
YOY (%)	16.8	25.9	10.8	18.6	15.5
Net income (Rmbm)	549.7	459.5	374.8	492.5	569.9
YOY (%)	22.5	(16.4)	(18.4)	31.4	15.7
EPS (Rmb)	0.17	0.14	0.10	0.13	0.15
Diluted EPS (Rmb)	0.17	0.14	0.10	0.13	0.15
ROE (%)	12.0	9.5	7.4	8.9	9.4
Debt/asset (%)	56.6	59.2	60.3	65.0	65.7
Dividend Yield (%)	1.4	3.6	1.0	1.4	1.6
P/E (x)	8.5	10.2	14.4	10.9	9.4
P/B (x)	0.7	0.7	0.7	0.7	0.6
EV/EBITDA (x)	6.3	6.1	6.6	5.8	7.8

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

盈利预测。我们预测新天 2014 年年收入为 51.7 亿人民币 (同比上升 10.8%) , 净利润为 3.75 亿人民币 (同比下降 18.4%) 。

天然气销量上升。基于公司天然气管道的持续扩张和供气资源的多元化, 我们预测 2014 年公司天然气销量上升 8%, 2015 至 2016 年增速预计可达 10%。新天在持续拓展河北之外的天然气市场, 收购临西县新能天然气工程有限公司将标志其进入山东燃气市场。

利润率预期下降。国家发展和改革委员会在 2 月 28 日宣布调整天然气价格, 提高存量天然气门站价格 0.04 元/立方米, 并降低增量天然气门价 0.44 元/立方米。高成本的历史增量气门价和持续递增的天然气需求预计会拉升新天 14 年的进价成本, 同时天然气价格调整也会给公司 15 年和 16 年带来负面影响, 虽然成本增加可即时传递给零售客户, 但批发客户群具有较强的议价能力, 新天可能会在短时期内为维持需求而接受较低的利润率。因此我们预计毛利率会从 2013 年的 19.8% 降到 2014 年的 18%。毛利率的下降将抵消部分收入增长, 14 年毛利增幅预测在 5% 左右。

下调目标价, 维持增持评级。我们下调 14 年 EPS 从 0.16 元至 0.10 元 (同比下降 29%) , 15 年 EPS 预测为 0.13 元 (同比上升 31%) , 16 年为 0.15 元 (同比上升 16%) 。根据分部估值法, 我们给予公司天然气业务 12 倍市盈率, 以及风电业务 1 倍市净率。由于利率的预期下降和风电新增装机量的不确定性, 我们将目标价由 2.52 港币下调至 2.10 港币。股票仍有 17% 的上涨空间, 我们维持增持评级。

Investment Highlights:

Earnings forecast. We forecast Suntien to report revenue of Rmb5.17bn (+10.8% YoY) and net profit of Rmb374.8m (-18.4% YoY) in 2014.

Rising gas deliveries. We forecast an 8% YoY increase in gas volume sales in 2014, based on continued expansion of natural gas pipelines and growing supply of gas resources. We expect this will pick up to 10% YoY annually in 2015-16E. Suntien has expanded outside of its home province of Hebei into other regional natural gas markets, with the acquisition of Linxi Xinneng Natural Gas Engineering in September 2014 marking its entrance into the Shandong fuel gas market.

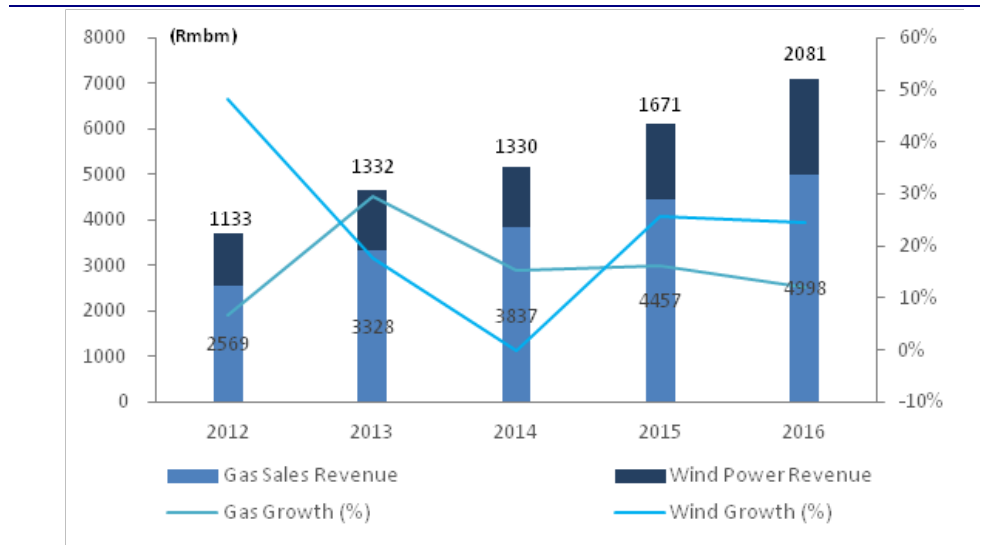
Margin squeeze from price adjustments. The National Development and Reform Commission (NDRC) announced adjustments to its two-tier natural gas prices on 28 February, raising existing capacity ("legacy" gas) city-gate prices by Rmb0.04/m³, and lowering prices of new capacity gas by Rmb0.44/m³. The move goes some way to ameliorating the much higher cost of new gas supply than legacy gas costs, which we believe compressed Suntien's margins as its expanding sales volumes were fed by the more expensive new gas. We expect a decline in gross margin from 19.8% in 2013 to 18% in 2014E, offsetting some of the growth in volume sales; we forecast 5% YoY increase in the company's gas segment gross profit in 2014E. However, we expect Suntien will have to absorb much of the impact of the rise in legacy gas price, as, although it may pass on some of the cost increase to retail customers, its more significant wholesale customer base has stronger bargaining power. We assume Suntien will accept a weaker margin than risk losing demand.

Cut target price, maintain Outperform. We cut our 14E EPS forecast from Rmb0.16 to Rmb0.10 (-29% YoY) to reflect the lower margins and forecast EPS of Rmb0.13 (+31% YoY) in 15E, Rmb0.15 (+16% YoY) in 16E. Our sum-of-the-parts valuation assumes a 12x 14E PE for the company's natural gas business, and a 1x 14E PB multiple for the company's wind business, given uncertainties over new installations. As a result, we cut our target price from HK\$2.52 to HK\$2.10. With 17% upside, we maintain our Outperform rating on the stock.

Forecast of financials

We forecast Suntien to report revenue of Rmb5.17bn (+10.8% YoY) and net profit of Rmb374.8m (-18.4% YoY) in 2014. We expect revenue to reach Rmb6.13bn (+18.6% YoY) in 15E and Rmb7.08bn (+15.5% YoY) in 16E.

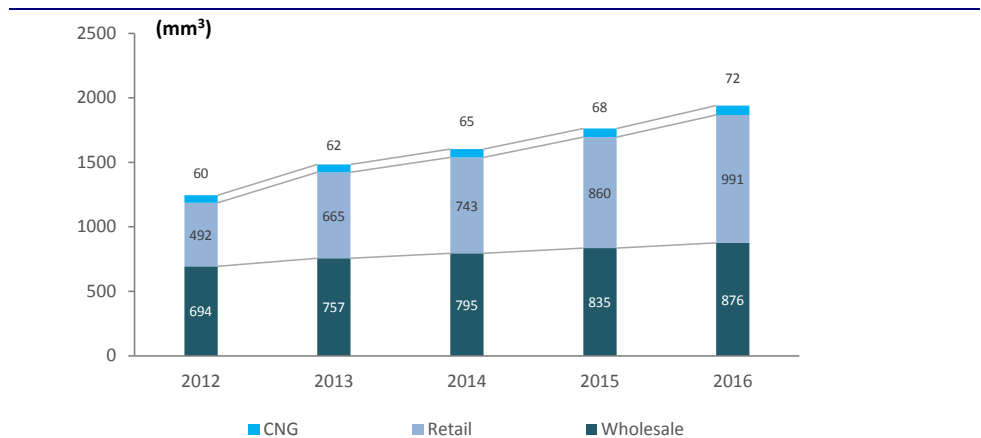
Fig 1: Revenue breakdown



Source: Company, SWS Research

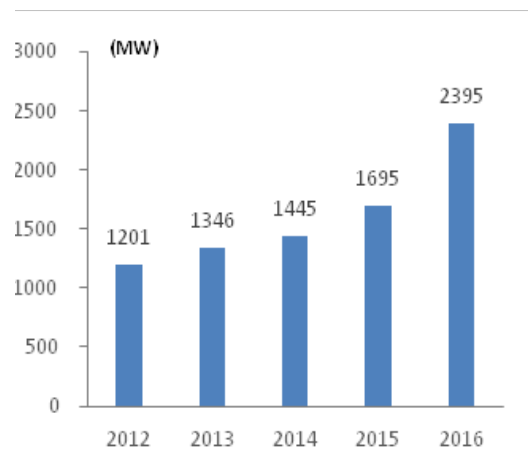
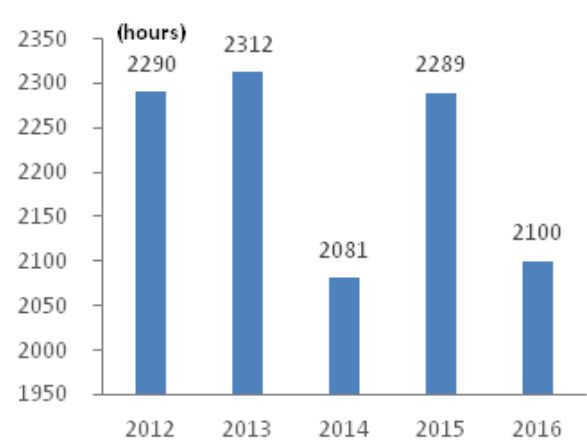
We forecast an 8% YoY increase in gas volume sales in 2014, based on continued expansion of natural gas pipelines and growing supply of gas resources. We expect this will pick up to 10% YoY annually in 2015-16E. Suntien has expanded outside of its home province of Hebei into other regional natural gas markets, with the acquisition of Linxi Xinneng Natural Gas Engineering marking its entrance into the Shandong fuel gas market.

Fig 2: Gas sales

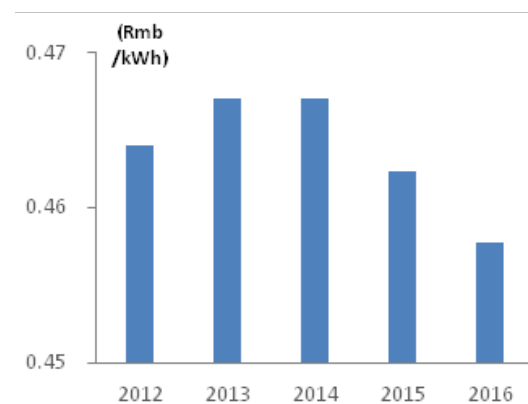
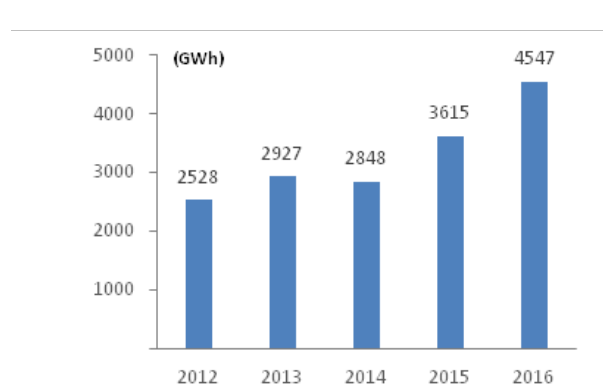


Source: Company, SWS Research

The company connected 99MW of wind capacity to the grid in 2013, which contributed to power generation in 2014. However, we expect utilisation hours to drop dramatically, from 2,312 hours in 2013 to c.2,000 in 2014, due to a nationwide decline in wind resources in the first half of 2014. For 2014, we do not see the company's wind segment as significant a value driver as in previous years.

Fig 3: Wind connected capacity

Fig 4: Utilisation hours for wind power


Source: Company, SWS Research

Fig 5: Wind tariffs (excl.VAT)

Fig 6: Net power generation


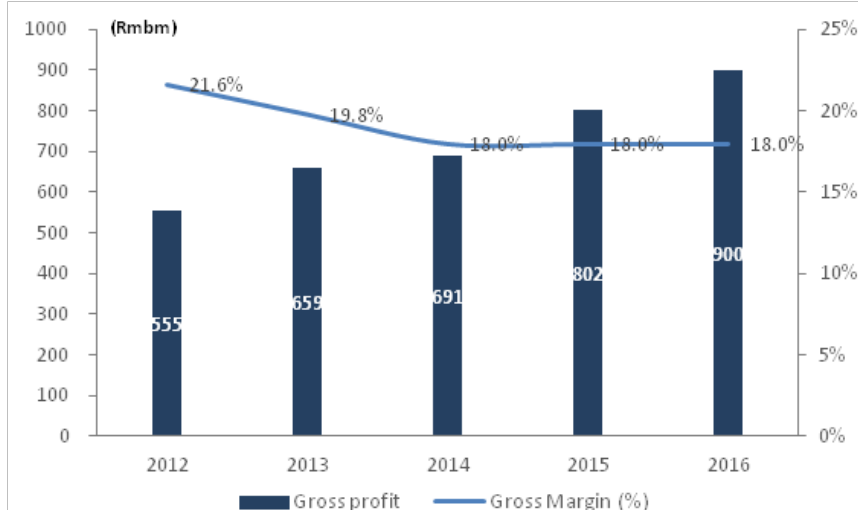
Source: Company, SWS Research

Margin squeeze

The National Development and Reform Commission (NDRC) announced adjustments to its two-tier natural gas prices on 28 February, raising existing capacity ("legacy" gas) city-gate prices by Rmb0.04/m³, and lowering prices of new capacity gas by Rmb0.44/m³ with effect from 01 April 2015. We expect Suntien will have to absorb much of the legacy gas hike, as, although it may pass of some of the cost increase to retail customers, its more significant wholesale customer base has stronger bargaining power.

We assume Suntien will accept a weaker margin than risk losing demand. We expect a decline in gross margin from 19.8% in 2013 to 18% in 2014, offsetting some of the growth in volume sales; we forecast 5% YoY increase in the company's gas segment gross profit in 2014.

Fig 7: Gross profit



Source: Company, SWS Research

Documentary impact

In line with gains in most other stocks related to the Chinese clean energy sector, Suntien surged 9.27% on 02 March and a further 8.48% on 03 March. The documentary “Under the Dome” by Chai Jing, examined China’s problems with air pollution and its causes, notably blaming coal-fired generation. The significance in this particular documentary is primarily that it appears to have been sanctioned by the top leadership at a particularly sensitive time for policy decisions: the video, featuring interviews with SOE and government officials, was released via state media immediately prior to the annual gathering of the National People’s Congress (NPC) and the Chinese People’s Political Consultative Conference (CPPCC). The documentary featured explicit recommendations that gas-fired power would help reduce emissions, with proven records of fighting air pollution in US and Europe.

Fig 8: Peer valuation

	Code	Market Cap (HK\$bn)	PE 14E	PE 15E	PB 14E	PB 15E
Gas						
Zhongyu Gas	3633 HK	6.0	19.50	15.60	3.04	2.54
China Res Gas	1193 HK	46.3	18.07	15.63	2.80	2.46
Towngas China	1083 HK	20.3	17.39	14.87	1.50	1.38
ENN Eenergy	2688 HK	49.2	17.79	15.86	3.53	2.97
China Gas Hold	384 HK	64.7	19.91	16.22	3.42	2.96
Beijing Ent	392HK	77.9	15.62	12.96	1.32	1.23
Kunlun Energy	135 HK	62.2	10.46	11.41	1.14	1.06
China Oil&Gas	603 HK	6.0	11.41	9.66	1.44	1.27
Tian Lun Gas	1600 HK	6.9	23.95	16.36	4.19	3.34
Average			17.12	14.29	2.49	2.13
Median			17.79	15.60	2.80	2.46
Wind						
C P New Energy	735 HK	5.8	13.53	8.18	-	-
Jnec	579 HK	7.9	12.84	8.66	1.46	1.29

China Wind Power	182 HK	4.4	10.32	6.72	0.78	0.71
Huadian Fuxin	816 HK	9.4	12.37	9.22	1.68	1.45
Huaneng Renewable	958 HK	11.6	19.06	12.36	1.36	1.25
Longyuan	916 HK	28.4	22.40	15.59	1.68	1.55
Datang Renew	1798 HK	2.7	16.80	10.20	0.69	0.66
	<i>Average</i>		<i>15.33</i>	<i>10.13</i>	<i>1.28</i>	<i>1.15</i>
	<i>Median</i>		<i>13.53</i>	<i>9.22</i>	<i>1.41</i>	<i>1.27</i>
Suntien	956:HK	3.3	14.36	10.92	0.74	0.69

Source: Bloomberg, SWS Research

Appendix

Consolidated Income Statement

Rmbm	2012	2013	2014E	2015E	2016E
Revenue	3,702	4,661	5,166	6,128	7,079
Cost of Sales	2,464	3,202	3,802	4,390	5,014
Gross Profit	1,238	1,459	1,364	1,738	2,065
Other Income	78	31	30	30	30
Distribution expenses	1	1	1	1	1
Administrative expenses	249	273	293	341	388
EBITDA	1,625	1,874	1,893	2,211	1,833
EBIT	1,067	1,216	1,101	1,427	1,706
Finance Costs	354	424	469	563	673
Profit before tax	803	832	671	904	1,073
Income tax expense	7	158	121	181	236
Minority interests	246	215	176	231	267
Profit attributable	550	460	375	493	570

Source: SWS Research

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Consolidated Cash Flow Statement

Rmbm	2012	2013	2014E	2015E	2016E
Profit before taxation	803	832	870	1,059	1,059
Plus : Depr. and amortisation	468	550	658	792	784
Finance cost	354	424	469	563	673
Losses from investments	(90)	(40)	(40)	(40)	(40)
Change in working capital	(328)	(47)	88	(28)	(8)
Others	23	(123)	(32)	(89)	(181)
CF from operating activities	1,230	1,597	2,014	2,257	2,287
CAPEX	1,464	1,544	2,250	5,850	2,651
Other CF from investing activities	135	274	0	0	0
CF from investing activities	(1,329)	(1,270)	(2,250)	(5,850)	(2,651)
Equity financing	29	67	0	0	0
Net change in liabilities	694	1,398	397	3,504	1,585
Dividend and interest paid	(538)	(672)	0	0	0
Other CF from financing activities	(190)	(65)	0	0	0
CF from financing activities	(5)	728	397	3,504	1,585
Net cash flow	(104)	1,055	160	(89)	1,221

Source: SWS Research

Consolidated Balance Sheet

Rmbm	2012	2013	2014E	2015E	2016E
Current Assets	2,231	3,123	4,107	4,077	5,264
Bank balances and cash	758	1,670	1,830	1,741	2,962
Trade and other receivables	843	846	991	1,175	1,358
Inventories	30	43	76	88	100
Other current assets	601	565	1,211	1,073	844
Long-term investment	420	441	397	417	438
PP&E	8,602	10,180	11,487	15,997	17,604
Intangible and other assets	4,009	3,670	2,880	2,832	2,661
Total Assets	15,263	17,414	18,872	23,323	25,967
Current Liabilities	2,096	2,744	2,473	2,747	3,037
Borrowings	971	1,359	700	700	700
Trade and other payables	197	224	208	241	275
Other current liabilities	928	1,162	1,565	1,806	2,063
Long-term liabilities	6,544	7,563	8,913	12,423	14,014
Total Liabilities	8,640	10,307	11,386	15,170	17,051
Minority Interests	1,055	1,141	1,317	1,547	1,814
Shareholder Equity	11,071	11,760	12,283	13,138	14,118
Share Capital	3,238	3,238	3,238	3,238	3,238
Reserves	2,264	2,556	2,875	3,293	3,778
Equity attributable	5,568	5,966	6,169	6,606	7,102
Total Liabilities and equity	15,263	17,414	18,872	23,323	25,967

Source: SWS Research

Key Financial Ratios

	2012	2013	2014E	2015E	2016E
Ratios per share (RMB)					
Earnings per share	0.17	0.14	0.10	0.13	0.15
Diluted earnings per share	0.38	0.49	0.54	0.61	0.62
Operating CF per share	0.02	0.05	0.02	0.02	0.02
Dividend per share	1.96	2.12	1.96	2.10	2.30
Net assets per share					
Key Operating Ratios(%)	8.7	9.7	6.9	6.4	6.4
ROIC	12.0	9.5	7.4	8.9	9.4
ROE	33.5	31.3	26.4	28.4	29.2
Gross profit margin	43.0	40.0	36.4	35.9	25.8
EBITDA Margin	28.8	26.1	21.3	23.3	24.1
EBIT Margin	16.8	25.9	10.8	18.6	15.5
Growth rate of Revenue(YoY)	22.5	(16.4)	(18.4)	31.4	15.7
Growth rate of Profit(YoY)	56.6	59.2	60.3	65.0	65.7
Debt-to-asset ratio	0.56	0.66	0.69	0.75	0.79
Turnover rate of net assets	0.24	0.27	0.27	0.26	0.27
Turnover rate of total assets	0.9	18.9	18.0	20.0	22.0
Effective tax rate (%)	1.4	3.6	1.0	1.4	1.6
Dividend yield (%)					
Valuation Ratios (X)	8.5	10.2	14.4	10.9	9.4
P/E	0.7	0.7	0.7	0.7	0.6
P/B	2.7	2.4	2.4	2.1	2.0
EV/Sale	6.3	6.1	6.6	5.8	7.8
EV/EBITDA	0.17	0.14	0.10	0.13	0.15

Source: SWS Research

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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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