

2015 年 3 月 19 日

维持

下调

## 毛利见顶

华能国际 (902:HK)

### Market Data:

|                          |            |
|--------------------------|------------|
| Closing Price (HK\$)     | 9.06       |
| Price Target (HK\$)      | 9.47       |
| HSCEI                    | 11,838     |
| HSCCI                    | 4,425      |
| 52-week High/Low (HK\$)  | 11.36/6.61 |
| Market Cap (US\$m)       | 16,851     |
| Market Cap (HK\$m)       | 130,649    |
| Shares Outstanding (m)   | 14,420     |
| Exchange Rate (Rmb-HK\$) | 1.26       |

### Price Performance Chart:



Source: Bloomberg

### Analyst

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### Related Reports

"Fuel injection" Jan 12, 2015

"Shifting gear" Nov 24, 2014

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### Financial summary and valuation

|                    | 2012       | 2013       | 2014E      | 2015E      | 2016E      |
|--------------------|------------|------------|------------|------------|------------|
| Revenue (Rmbm)     | 133,966.66 | 133,832.87 | 124,676.40 | 139,374.38 | 146,188.01 |
| YoY (%)            | 0.41       | (0.10)     | (6.84)     | 11.79      | 4.89       |
| Net income (Rmbm)  | 6,366.42   | 12,900.02  | 12,806.12  | 15,104.85  | 16,458.08  |
| YoY (%)            | 439.07     | 102.63     | (0.73)     | 17.95      | 8.96       |
| EPS (Rmb)          | 0.39       | 0.74       | 0.75       | 0.88       | 0.92       |
| Diluted EPS (Rmb)  | 0.39       | 0.74       | 0.75       | 0.88       | 0.92       |
| ROE (%)            | 9.65       | 17.16      | 16.17      | 17.94      | 18.41      |
| Debt/asset (%)     | 74.54      | 71.33      | 69.59      | 67.90      | 66.44      |
| Dividend Yield (%) | 2.82       | 5.10       | 5.19       | 6.12       | 6.43       |
| PE (x)             | 18.98      | 10.04      | 9.64       | 8.17       | 7.78       |
| PB (x)             | 1.59       | 1.39       | 1.31       | 1.24       | 1.18       |
| EV/Ebitda (x)      | 6.21       | 5.35       | 5.33       | 5.30       | 4.90       |

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:

电价调整幅度可能为每兆瓦时 20 元，调价幅度相当于目前上网电价每兆瓦时 385 元的 5.2%。调价幅度好于市场预期的 30 元，但低于我们预计的 3 元每兆瓦时。调价预计于 4 月份实施。

此次调价的依据或是煤电联动。发改委可能将此作为电力市场化改革中电价定价过渡性方案。我们预计此次调价将使得电力公司的毛利下降，之后煤价的波动将导致电价的调整使毛利保持平稳。然而毛利已在此次调价前触顶。

资产注入将放缓。电价调整将影响母公司电厂的盈利能力从而放缓资产注入的节奏放缓。截止14年底母公司运营75GW装机。依据13年的财报其经营净利率在5.5%，大幅低于华能国际9.6%的净利率水平。电价调整将使得母公司一部分机组的盈利下降至不适合注入的水平。

我们在模型中反映4月每兆瓦时20元的电价调整，并下调未来3年资产注入的规模。我们预计3年装机的复合增长率将较我们之前预测的10.8%下降至7.9%，约合每年新增装机3GW（之前预测7GW）。我们维持14年净利润128亿元不变，下调15/16年净利润分别至151亿元/165亿元。我们预计14-16年EPS分别为Rmb0.75/0.88/0.92。我们下调目标价至HK\$9.47。基于仅4.5%的上涨空间，我们下调评级至中性。

## Investment Highlights:

**Tariff cuts ahead.** The conditions for a coal-fired power tariff cut under the National Development and Reform Commission's (NDRC) on-grid tariff pricing mechanism, suggest a cut of c.Rmb20/MWh (5.2% of current on-grid tariff of Rmb385/MWh) is possible starting April 2015. Such a cut would still be far lower than market expectations of a Rmb30/MWh cut, but more severe than our initial expectation of a Rmb3/MWh.

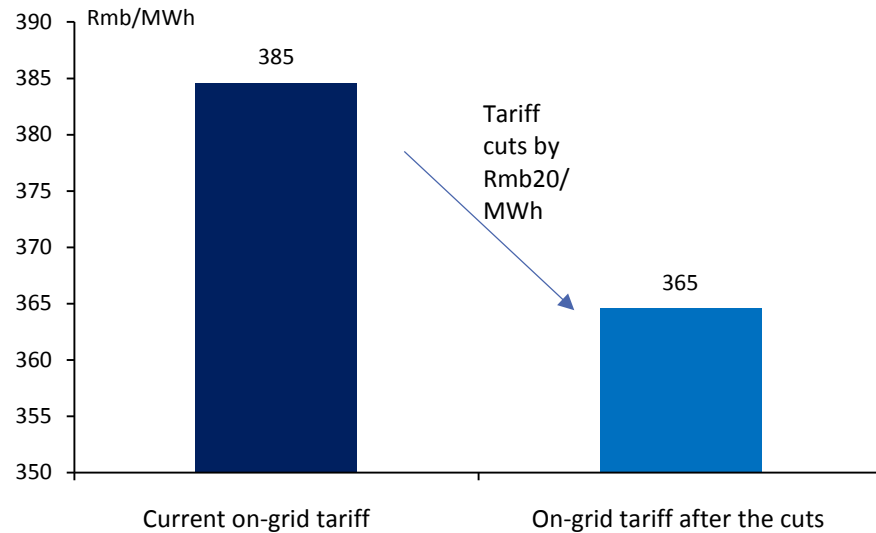
**Margin peak.** We expect the NDRC to return to its coal/power price linkage mechanism, under which it adjusts on-grid tariffs when coal prices move significantly. This will likely reduce margins among independent power producers (IPPs), although future fluctuations in coal prices will likely be matched by concomitant adjustments to on-grid tariffs, implying that IPP margins may have peaked.

**Assets injection may slow.** In addition to the likely direct impact on Huaneng's earnings, we expect the cuts to reduce the profitability of Huaneng Power parent China Huaneng Group Corp's non-listed power assets (c.75GW of capacity by end-2014). These assets operated at a net margin of 5.5% in 2013, vs the listed Huaneng's 9.6% margin in the same period. Too low profitability at some of Huaneng Group's assets following the cuts may disqualify the assets from being injected into the listed company.

**Downgrade EPS, Rec to Hold.** We adjust our model for Huaneng Power to assume a Rmb20/MWh cut starting April, and roll back our capacity growth forecast for the company on the assumption of a slower pace of asset injection in the coming three years. We forecast capacity to grow at a three-year Cagr of 7.9% with an annual asset injection of 3GW of capacity (previously we forecast 7GW of capacity injected annually, translating to a three-year Cagr of 10.8%). We maintain our EPS forecast for 14E at Rmb0.75 (+13.5% YoY) but lower our forecasts from Rmb1.07 to Rmb0.88 (+17.3% YoY) in 15E and from Rmb1.27 to Rmb0.92 (+4.5% YoY) in 16E. We lower our DCF-based target price from HK\$13.64 to HK\$9.47. With 4.5% upside, we downgrade our rating from BUY to Hold.

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**Fig 1: On grid tariff cuts may be Rmb20/MWh**

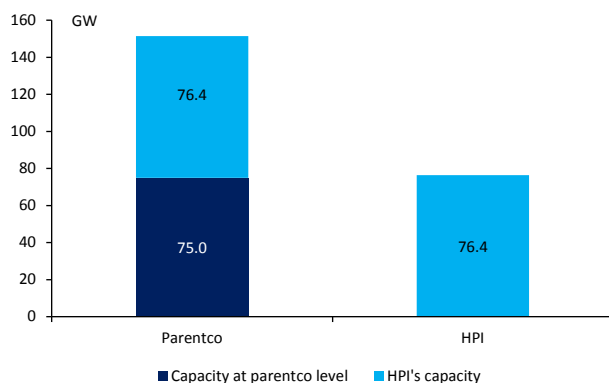


Source: SWS Research

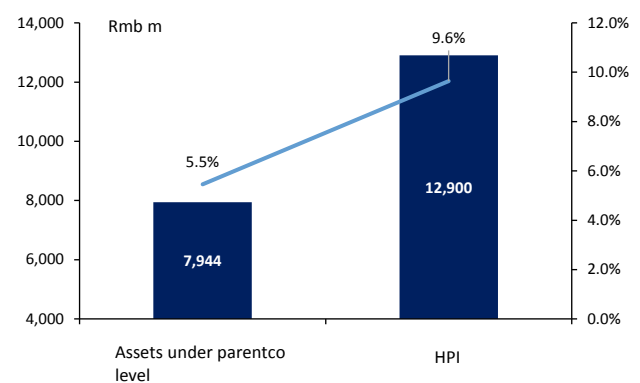
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**Fig 2: Parentco operates 75GW capacity by 2014**



**Fig 3: HPI profitability is much higher than assets from parentco.**



*Source: Company data, SWS Research*

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## APPENDIX

### Consolidated Cash Flow Statement

| Rmbm                               | 2012    | 2013    | 2014E   | 2015E   | 2016E   |
|------------------------------------|---------|---------|---------|---------|---------|
| Profit Before Taxation             | 8,877   | 17,423  | 17,543  | 20,692  | 22,545  |
| Depr And Amortisation              | 11,256  | 11,546  | 12,230  | 13,282  | 14,154  |
| Finance Cost                       | 8,897   | 7,787   | 7,647   | 6,860   | 6,445   |
| Losses From Investments            | 1       | 6       | 0       | 0       | 0       |
| Change In Working Capital          | -176    | 6,778   | -1,694  | -1,153  | -234    |
| Others                             | -1,928  | -3,308  | -5,458  | -6,121  | -6,650  |
| CF From Operating Activities       | 26,928  | 40,239  | 30,267  | 33,560  | 36,260  |
| Capex                              | 15,475  | 17,691  | 13,923  | 15,564  | 16,325  |
| Other CF From Investing Activities | 165     | -1,363  | -9,200  | 0       | 0       |
| CF From Investing Activities       | -15,310 | -19,054 | -23,123 | -15,564 | -16,325 |
| Equity Financing                   | 665     | 868     | 0       | 0       | 0       |
| Net Change In Liabilities          | -681    | -10,918 | -3,009  | -3,072  | -2,982  |
| Dividend And Interest Paid         | -10,105 | -11,782 | -12,988 | -12,238 | -12,789 |
| Other CF From Financing Activities | 304     | 232     | 0       | 0       | 0       |
| CF From Financing Activities       | -9,817  | -22,240 | -15,997 | -15,310 | -15,770 |
| Net Cash Flow                      | 1,953   | -1,164  | -8,853  | 2,685   | 4,164   |
| FCFF                               | 46,163  | 64,790  | 53,383  | 60,125  | 64,620  |
| FCFE                               | 36,585  | 46,085  | 42,727  | 50,193  | 55,194  |

### Consolidated Income Statement

| Rmbm                | 2012    | 2013    | 2014E   | 2015E   | 2016E   |
|---------------------|---------|---------|---------|---------|---------|
| Revenue             | 133,967 | 133,833 | 124,676 | 139,374 | 146,188 |
| Power and heat sale | 131,937 | 133,833 | 124,676 | 139,374 | 146,188 |
| Other               | 2,030   | 0       | 0       | 0       | 0       |
| Cost of Sales       | 83,027  | 74,852  | 65,284  | 73,428  | 75,765  |
| Power and heat sale | 81,367  | 73,355  | 63,978  | 71,960  | 74,250  |
| Other               | 1,661   | 1,497   | 1,306   | 1,469   | 1,515   |
| Gross Profit        | 50,939  | 58,981  | 59,392  | 65,946  | 70,423  |
| Other Income        | 984     | 1,005   | 1,142   | 847     | 843     |
| Ebitda              | 37,194  | 43,239  | 44,064  | 46,987  | 48,887  |
| Ebit                | 17,098  | 24,252  | 24,188  | 26,845  | 28,288  |
| Finance Costs       | -9,064  | -7,693  | -7,647  | -6,860  | -6,445  |
| Profit Before Tax   | 8,877   | 17,423  | 17,543  | 20,692  | 22,545  |
| Income Tax Expense  | -2,510  | -4,523  | -4,737  | -5,587  | -6,087  |
| Minority Interests  | 854     | 2,474   | 2,049   | 2,417   | 3,127   |
| Profit for the Year | 6,366   | 12,900  | 12,806  | 15,105  | 16,458  |

### Consolidated Balance Sheet

| Rmbm                         | 2012    | 2013    | 2014E   | 2015E   | 2016E   |
|------------------------------|---------|---------|---------|---------|---------|
| Current Assets               | 36,086  | 33,629  | 23,755  | 27,351  | 33,450  |
| Bank Balances And Cash       | 10,624  | 9,433   | 489     | 3,174   | 7,338   |
| Trade And Other Receivables  | 15,300  | 15,562  | 15,511  | 15,843  | 17,134  |
| Inventories                  | 7,022   | 6,469   | 5,755   | 5,694   | 6,124   |
| Other Current Assets         | 3,139   | 2,165   | 2,001   | 2,641   | 2,856   |
| Long Term Investment         | 17,650  | 19,790  | 20,687  | 17,510  | 15,159  |
| PPE                          | 177,014 | 181,415 | 192,817 | 195,099 | 197,271 |
| Intangible And Other Assets  | 28,351  | 27,398  | 23,138  | 22,300  | 20,516  |
| Total Assets                 | 259,100 | 262,233 | 260,397 | 262,260 | 266,396 |
| Current Liabilities          | 189,044 | 183,219 | 177,593 | 174,460 | 173,380 |
| Borrowings                   | 167,398 | 155,800 | 152,791 | 149,718 | 146,737 |
| Trade And Other Payables     | 19,993  | 25,321  | 22,790  | 22,548  | 24,249  |
| Other Current Liabilities    | 1,653   | 2,098   | 2,013   | 2,194   | 2,393   |
| Long Term Liabilities        | 4,096   | 3,821   | 3,605   | 3,605   | 3,605   |
| Total Liabilities            | 193,140 | 187,040 | 181,198 | 178,065 | 176,984 |
| Minority Interests           | 9,830   | 12,742  | 14,791  | 17,208  | 20,335  |
| Shareholder Equity           | 0       | 0       | 0       | 0       | 0       |
| Share Capital                | 14,055  | 14,055  | 14,055  | 14,055  | 14,055  |
| Reserves                     | 24,769  | 23,615  | 24,850  | 25,276  | 25,709  |
| Equity Attributable          | 17,306  | 24,780  | 25,401  | 26,967  | 27,907  |
| Total Liabilities And Equity | 259,100 | 262,233 | 260,296 | 261,571 | 264,991 |

### Key Financial Ratios

|                               | 2012  | 2013  | 2014E | 2015E | 2016E |
|-------------------------------|-------|-------|-------|-------|-------|
| Ratios per share (Rmb)        |       |       |       |       |       |
| Earnings per share            | 0.39  | 0.74  | 0.75  | 0.88  | 0.92  |
| Operating CF Per Share        | 1.92  | 2.86  | 2.10  | 2.33  | 2.51  |
| Dividend Per Share            | 0.21  | 0.38  | 0.37  | 0.44  | 0.46  |
| Key Operating Ratios (%)      |       |       |       |       |       |
| Net Assets Per Share          | 4.69  | 5.35  | 5.49  | 5.79  | 6.10  |
| ROIC                          | 14.6  | 18.7  | 18.9  | 20.4  | 21.7  |
| ROE                           | 9.7   | 17.2  | 16.2  | 18.1  | 18.7  |
| Gross Margin                  | 38.0  | 44.1  | 47.6  | 47.3  | 48.2  |
| Ebitda Margin                 | 35.9  | 40.6  | 45.0  | 43.1  | 43.0  |
| Ebit Margin                   | 20.9  | 26.5  | 29.1  | 28.7  | 28.9  |
| Growth Rate Of Revenue        | 0.4   | -0.1  | -6.8  | 11.8  | 4.9   |
| Growth Rate Of Profit         | 439.1 | 102.6 | -0.7  | 18.0  | 9.0   |
| Debt To Asset Ratio           | 74.5  | 71.3  | 69.6  | 67.9  | 66.4  |
| Turnover Rate Of Net Assets   | 203.1 | 178.0 | 157.4 | 165.5 | 163.5 |
| Turnover Rate Of Total Assets | 51.7  | 51.0  | 47.9  | 53.1  | 54.9  |
| Effective Tax Rate            | 9.0   | 12.8  | 13.1  | 14.0  | 14.4  |
| Dividend Yield                | 2.91  | 5.27  | 5.19  | 6.12  | 6.43  |
| Valuation Ratios (x)          |       |       |       |       |       |
| PE                            | 18.4  | 9.7   | 9.6   | 8.2   | 7.8   |
| PB                            | 1.5   | 1.3   | 1.3   | 1.2   | 1.2   |
| EV Sale                       | 2.2   | 2.1   | 2.4   | 2.1   | 2.0   |
| EV/Ebitda                     | 6.1   | 5.3   | 5.3   | 4.9   | 4.6   |

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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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When measuring the difference between the markup of the industry index and that of the market's benchmark within six months after the release of the report, we define the terms as follows:

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

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