



Rating
Buy

Asia
China

Utilities
Utilities

Company
Huadian Fuxin Alert

Reuters
0816.HK

Bloomberg
816 HK

Exchange
HSI

Ticker
0816

Date
22 March 2015

Results

Price at 20 Mar 2015 (HKD)	3.38
Price target - 12mth (HKD)	6.10
52-week range (HKD)	4.84 - 3.16
HANG SENG INDEX	24,375

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In line FY14 results; Planning investment in pumped storage

While Fuxin's results came in line, key highlights include 1) 1.4GW of new wind capacity, or an outstanding 40% yoy growth (vs. 19-22% of peers) – with another 1.7GW capacity under construction to underpin the growth in 2015; 2), Fuxin outlined its hydro ambition for the first time – and we found a 1.2GW of pumped storage station under planning. Besides, the continued strong power consumption growth in Fujian provides relief to utilization downside – in 1-2M15, power consumption in Fujian grew 8% yoy, much faster than 2.5% for the nation.

2014 net profit up 27% yoy, in-line

Huadian Fuxin reported its 2014 results with net profit up by 27% to Rmb1,867m, in-line with our/consensus forecast of Rmb1,854m/Rmb1,927m. By segment, operating profit mix is 22%:34%:37%:7% between hydro: wind: thermal: other renewable. Hydro recorded Rmb1.1bn of operating profit (+17% yoy) under the good water condition (utilization +211hrs); wind was up 19% yoy to Rmb1.7bn on back of 40% yoy capacity growth, though partially cannibalized by poor wind condition (utilization -142hrs); thermal largely flat at Rmb1.9bn despite a 7.4% decline in coal price; other clean energy saw a good 82% yoy growth to Rmb346m. Associates income retreated by 11% to Rmb84m, which we believe is mainly due to Putian gas-fired project as Fuqing nuclear started operation in end-Nov 2014 and the profit contribution is yet to be fully reflected.

The company declared Rmb4.35cents/share dividend, with payout stayed at c.19%. Net gearing (net debt/total equity) improved by 18ppt to 275% as of end-2014 given the two share placement in the year.

Wind: capacity +1.4GW, an above-peers 40% yoy growth

Fuxin added 1,389MW of new wind capacity in 2014, largely delivered its year-beginning target of 1.5GW. The implied 40% yoy growth is the highest among peers given its small asset base (Huaneng Renewable added 1.3GW or 22% yoy); Longyuan is likely to add 1.6GW or 19% yoy). Besides, as of end-2014, it has 1.7GW of capacity under construction, which will underpin solid capacity addition in 2015E.

Hydro: planning investment in pumped storage

Contrary to market perception of limited hydro growth, Fuxin outlined for the first time its ambition to "actively carry out the preparatory work of pumped storage power station" and "seeking the rich hydropower resources in Southeast Asia, South Asia, Latin America and Africa". According to Yuexi government news release, in Dec 2014, it has signed agreement with Fuxin to develop a 1,200MW pumped storage power station located in Anhui province, with total investment of Rmb5.6bn.

Fuxin will hold an analyst briefing at 9:30am, 23 Mar (4/F, Four Seasons).

Stock data	
Market cap (HKDm)	26,971
Market cap (USDm)	3,477
Shares outstanding (m)	7,920.1
Major shareholders	–
Free float (%)	23.4
Avg daily value traded (USDm)	0.0
Source: Deutsche Bank	

Segment revenue and profit

(Rmb m)	2013	2014	yoy
Operating Revenue, Net	13,242	13,895	5%
Hydro	2,075	2,404	16%
Wind	2,767	3,153	14%
Coal-fired	7,465	7,138	-4%
Other clean energy	851	1,170	37%
Operating profit	4,397	4,942	12%
Hydro	932	1,094	17%
Wind	1,466	1,742	19%
Coal-fired	1,966	1,899	-3%
Other clean energy	191	346	82%
Operating margin	33.2%	35.6%	2.4ppt
Hydro	44.9%	45.5%	0.6ppt
Wind	53.0%	55.3%	2.3ppt
Coal-fired	26.3%	26.6%	0.3ppt
Other clean energy	22.4%	29.6%	7.2ppt

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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