

2015 年 3 月 25 日

中性
维持

前景黯淡

华能国际电力股份 (902:HK)

Market Data:

Closing Price (HK\$)	9.26
Price Target (HK\$)	9.47
HSCEI	12,005
HSCCI	4,489
52-week High/Low (HK\$)	11.56/6.93
Market Cap (US\$m)	17,223
Market Cap (HK\$m)	133,533
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:

业绩符合预期。华能公布 14 年业绩，收入为 1254 亿，同比下降 6.3%，归属公司股东净利润为 108 亿，同比增加 3.2%。每股收益 0.76 元，业绩符合我们的预期。

利用小时数大幅下降。经济增长乏力加之水电大发，14 年华能火电利用小时数大幅下降。全年机组利用小时数为 4572 小时，同比去年下降 464 小时，降幅为 9.2%。全年装机同比增长仅为 2.6%至 68.6 吉瓦（13 年为 66.8 吉瓦），因此电量销售同比下降了 7.5%至 2775.38 亿度（13 年为 3000.03 亿度）。

毛利扩张。14 年单位燃料成本为每兆瓦时 201 元，同比去年下降 8%（去年为每兆瓦时 219 元）。由于公司上网电价相对 13 年维持平稳，14 年运营利润率相比 13 年提升了 2.2 个百分点至 20.2%。然而由于发改委或于 15 年 2 季度调整火电价格，公司利润率可能在 15 年 1 季度到达高点。发改委新的价改政策将电价同煤价匹配，电力公司如华能国际的经营利润率将保持稳定。

资产注入顺利，未来注入预期下降。15 年初资产注入进展顺利，公司于 1 季度支付了 50%的对价。我们预计公司将通过资产注入增加装机 9.5 吉瓦，从而实现 15 年装机总量 80 吉瓦的目标。然而由于电价政策的转变，电价调整将使得母公司的低盈利机组不再适合注入上市公司，资产注入步伐有可能放缓。

维持中性评级。我们维持 15-17 年每股收益 0.88/0.92/1.01，同比增长分别 15.5%/4.7%/9.8%。我们维持目标价 HK\$9.47。目标价相对现价仅有 2%的涨幅，我们维持中性评级。

Investment Highlights:

Results in line. Huaneng Power reported 2014 revenue of Rmb125.4bn (-6.3% YoY) with net profit for the period of Rmb10.8bn (+3.2% YoY). EPS came in at Rmb0.76, in line with our expectation.

Utilisation decreased. Weak economic growth as well as excessive hydropower generation cut into Huaneng Power's coal-fired utilisation. The company reported utilisation at its coal-fired power plants of 4,572 hours for the year, down 464 hours or -9.2% YoY. With a capacity increase of 2.6% YoY from 66.8GW in 2013 to 68.6GW in 2014, overall power sales declined 7.5% YoY from 300,003GWh in 2013 to 277,538GWh in 2014.

Margin expansion. Unit power generation fuel cost was Rmb201/MWh, down 8% from 2013's Rmb219/MWh. As the company maintained a stable on-grid tariff, operating margin expanded 2.2ppts YoY to 20.2%. We expect margin to peak in 1Q15 as tariff cuts may kick-in in 2Q15. However, the National Development and Reform Commission's (NDRC) new pricing policy of linking on-grid tariffs with changes in coal prices could result in more stable margins for Huaneng Power and other independent power producer (IPP) peers in future.

Future asset injections may slow. The consolidation of assets injected by Huaneng's parent company in January 2015 went well. The company paid 50% of consideration by cash in 1Q15. We expect the company to add capacity of 9.5GW through the injection, achieving its target of 80GW of capacity by 2015. However, due to changes in the government's pricing mechanism for coal-fired power, we believe some of the parent company's assets may now operate at too low a level of profitability, which may disqualify them from being injected into the listed company.

Maintain Hold. We maintain our EPS forecast of Rmb0.88 (+15.5% YoY) for 15E, Rmb0.92 (+4.7% YoY) for 16E and Rmb1.01 (+9.8% YoY) for 17E. We maintain our DCF-based target price at HK\$9.47. With 2% upside, we maintain our Hold recommendation for Huaneng Power.

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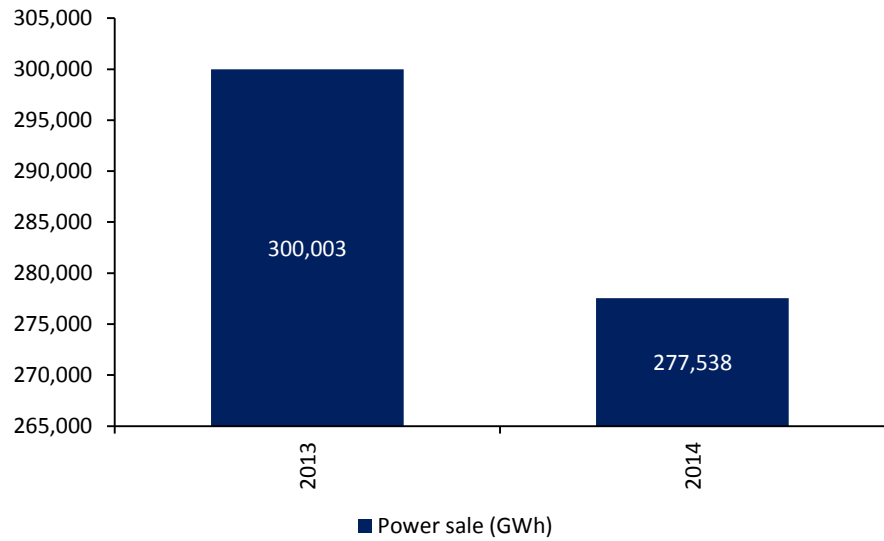
Fig 1: Revenue and profit for 2014

	2011	2012	2013	2014	YoY
Operating revenue	133,421	133,967	133,833	125,407	-6.3%
Tax and levies on operations	-484	-672	-1044	-932	-10.7%
Fuel	-90,546	-82,355	-73,808	-64,763	-12.3%
Maintenance	-2,529	-2,847	-3,857	-3,730	-3.3%
Depreciation	-11,867	-11,033	-11,294	-11,647	3.1%
Labor	-4,622	-5,112	-5,763	-6,260	8.6%
Service fees on transmission and transformer facilities of HIPDC	-141	-141	-141	-141	0.0%
Purchase of electricity	-8,613	-7,102	-4,956	-5,055	2.0%
Others	-5,872	-7,748	-8,860	-7,605	-14.2%
Total operating expenses	-124,189	-116,338	-108,678	-99,200	-8.7%
Profit from operations	8,748	16,957	24,111	25,275	4.8%
Interest income	166	175	171	160	-6.5%
Total financial expenses, net	-7,660	-9,064	-7,693	-7,824	1.7%
Interest expense	-7,736	-8,897	-7,787	-7,814	0.3%
Exchange gain and bank charges, net	76	-167	94	-9	-110.1%
Share of profits of associates/jointly controlled entities	704	622	615	1316	113.9%
(Loss)/Gain on fair value changes	-1	-1	-6	43	-846.1%
Other investment income	93	187	225	81	-64.2%
Profit before income tax expense	2,050	8,877	17,423	19,050	9.3%
Income tax expense	-869	-2510	-4523	-5487	21.3%
Net profit	1,181	6,366	12,900	13,562	5.1%
Attributable to:					
Equity holders of the parent	1,181	5,512	10,426	10,757	3.2%
Minority interests	1	854	2,474	2,805	13.4%
EPS	0.08	0.39	0.74	0.76	3.0%

Source: Company data, SWS Research

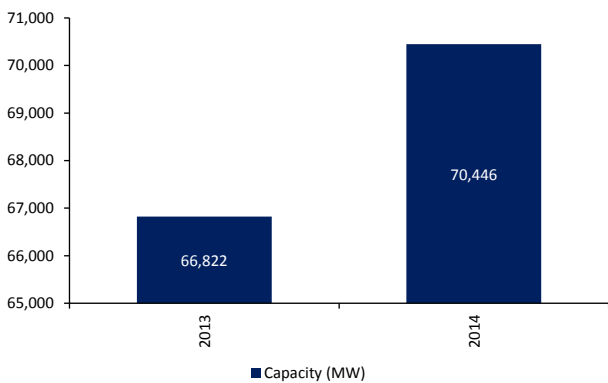
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Fig 2: Power sale was declined by 7.5% YoY in 2014.



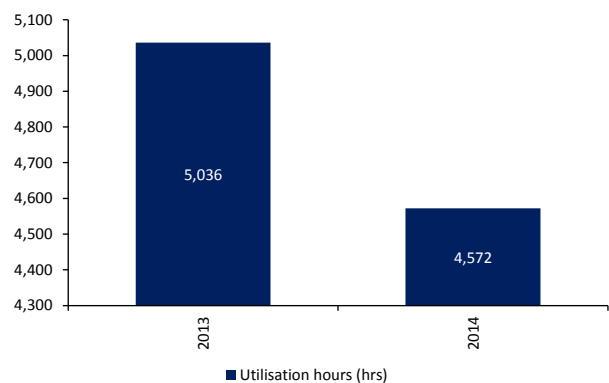
Source: Company data, SWS Research

Fig 3: Capacity grow by 2.6% YoY in 2014



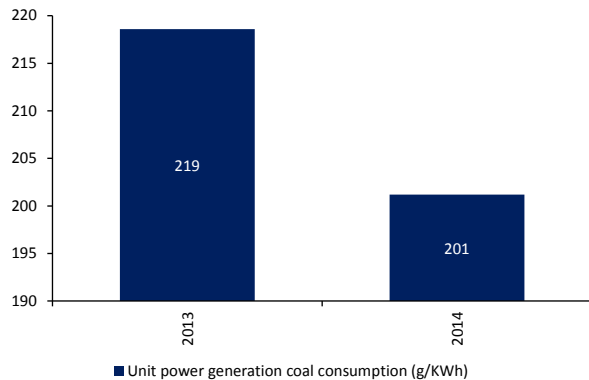
Source: Company data, SWS Research

Fig 4: Utilisation of coal-fired power plant decreased by 9.2% YoY in 2014

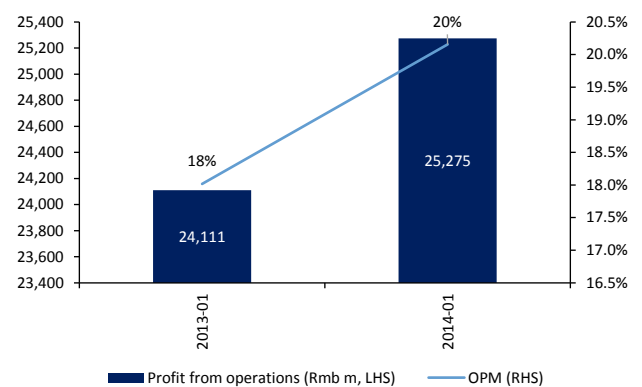


Source: Company data, SWS Research

Margin expansion. Unit power generation fuel cost was Rmb201/MWh, down 8% from 2013's Rmb219/MWh. As the company maintained a stable on-grid tariff, operating margin expanded 2.2ppts YoY to 20.2%. We expect margin to peak in 1Q15 as tariff cuts may kick-in in 2Q15. However, the National Development and Reform Commission's (NDRC) new pricing policy of linking on-grid tariffs with changes in coal prices could result in more stable margins for Huaneng Power and other independent power producer (IPP) peers in future.

Fig 5: Unit power generation fuel cost decreased by 8% YoY in 2014


Source: Company data, SWS Research

Fig 6: Operating margin expand by 2.2ppts from 18% to 20.2% in 2014


Source: Company data, SWS Research

Future asset injections may slow. The consolidation of assets injected by Huaneng's parent company in January 2015 went well. The company paid 50% of consideration by cash in 1Q15. We expect the company to add capacity of 9.5GW through the injection, achieving its target of 80GW of capacity by 2015. However, due to changes in the government's pricing mechanism for coal-fired power, we believe some of the parent company's assets may now operate at too low a level of profitability, which may disqualify them from being injected into the listed company.

Figure 1: Assets for injection

	Equity	May 2014 (Rmb m)			First 5 moth of 2014 (Rmb m)		2013 (Rmb m)		Capacity (MW)	
		Assets	Liability	Equity	Rev	Profit	Rev	Profit	In operation	In construction
Yingcheng plants	100%	1,144	938	206						400
Wuhan plants	75%	5,088	3,609	1,479	1,765	269	4,493	789	2,460	
Ruijin plants	100%	2,462	2,208	254	527	45	1,352	84	700	
Suzhou plants	53%	618	269	349	202	26	485	48	120	
Hainan plants	92%	9,840	7,059	2,781	2,730	520	6,267	829	2,598	
Chaohu plants	60%	3,030	1,987	1,043	983	114	2,560	237	1,200	
Dalongtan hydro	97%	333	249	84	15	-9	37	41	38	
Anyuan plants	100%	2,345	2,444	-100	76	-48	468	-92	0	1,200
Hualiangting hydro	100%	46	42	4	6	-30	23	0	40	
Jinmen plants	100%	1,798	1,410	388	0	0	0	0	0	700
Total		26,703	20,217	6,486	6,304	886	15,685	1,936	7,155	2,300

Source: Company data, SWS Research

Maintain Hold. We maintain our EPS forecast of Rmb0.88 (+15.5% YoY) for 15E, Rmb0.92 (+4.7% YoY) for 16E and Rmb1.01 (+9.8% YoY) for 17E. We maintain our DCF-based target price at HK\$9.47. With 2% upside, we maintain our Hold recommendation for Huaneng Power.

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

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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.

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