



Company Report: Huadian Fuxin Energy (00816 HK)

公司报告: 华电福新 (00816 HK)

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FY14 Results Proved Robust Operation, Maintain "Buy"

14财年业绩验证了稳健的运营, 维持“买入”

- **Huadian Fuxin FY14 results recap:** Net profit recorded RMB1.87 billion, up 27.2% YoY, with EPS of RMB0.234, up 21.5% YoY, 2.5% below market consensus and 3.9% above our estimates, respectively.
- **Analyst briefing key information recap:** 1) The No.1 nuclear unit of Fuqing Nuclear Power has commenced operation in Nov. 2014, and the No.2, No.3 & No.4 units are expected to commence operation in Aug. 2015, Feb. 2016 and early 2017; 2) Thermal utilisation hour may further step down in the future, but won't be too sharp in short term; 3) Wind utilisation was relatively poor due to low wind speed, and the management expects 2015 wind utilisation could recover to 2,000 hours; 4) the Company planned to add 1.5GW wind capacity, 200MW solar capacity, 110MW hydro capacity, and over 100MW distributed capacity, and Shaowu Phase III is expected to begin construction in 2015.
- **Key FY15/16/17 assumptions adjustments for HDFX:** 1) revised up wind expansion scale assumption in 2015 while assumptions for 2016/2017 were cut; 2) total coal-fired net generations are revised down; 3) average on-grid tariffs and standard coal prices assumptions are both revised down.
- **Maintain "Buy" rating and slightly raise TP to HK\$4.65.** FY15/16/17 EPS are slightly revised to RMB0.295/0.329/0.370. Slightly upgrade TP to HK\$4.65, representing 12.6x/11.3x/10.0x FY15/16/17 PER.
- **华电福新 14 财年业绩回顾:** 净利润为 18.7 亿人民币, 同比升 27.2%, EPS 为 0.234 元, 同比增 21.5%, 分别比市场预期低 2.5% 比我们预期高 3.9%。
- **分析员会关键信息回顾:** 1) 福清核电 1 号机已于 2014 年 11 月投产, 2 号、3 号及 4 号机预计于 2015 年 8 月、2016 年 2 月及 2017 年初投产; 2) 火电利用小时将继续走低, 但短期将不会剧烈下跌; 3) 较差的风资源导致较低的风电利用小时, 管理层预计 2015 年风电利用小时可恢复到 2,000 小时; 4) 公司计划 2015 年新投 1.5 吉瓦风电、200 兆瓦太阳能、110 兆瓦水电以及超过 100 兆瓦分布式, 且 2015 年内开始建设邵武三期。
- **2015/2016/2017 财年华电福新假设调整:** 1) 调高 2015 年风电扩张规模但下调 2016/2017 年假设; 2) 总燃煤售电量下调; 3) 平均上网电价以及标煤单价均被下调。
- **维持“买入”评级并略微上调目标价至 4.65 港元。** 2015/2016/2017 财年 EPS 微调至人民币 0.295/0.329/0.370。略微上调目标价至 4.65 港元, 相当于 12.6 倍/11.3 倍/10.0 倍 2015/2016/2017 财年市盈率。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$4.65

Revised from 原目标价:

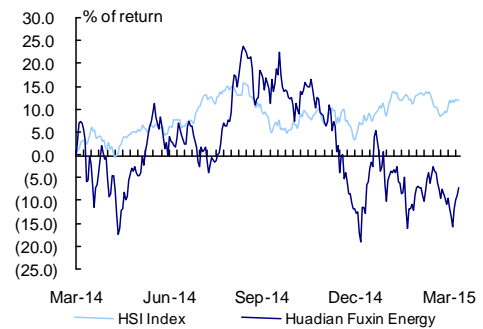
HK\$4.55

Share price 股价:

HK\$3.630

Stock performance

股价表现



Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	(1.6)	5.2	(6.7)
Rel. % to HS index 相对恒指变动 %	(0.7)	(0.2)	(23.4)
Avg. share price(HK\$) 平均股价 (港元)	3.6	3.6	4.0

Source: Bloomberg, Guotai Junan International.

Year End 年结 12/31	Turnover 收入 (RMB m)	Net Profit 股东净利 (RMB m)	EPS 每股净利 (RMB)	EPS 每股净利变动 (Δ %)	PER 市盈率 (x)	BPS 每股净资产 (RMB)	PBR 市净率 (x)	DPS 每股股息 (RMB)	Yield 股息率 (%)	ROE 净资产收益率 (%)
2013A	13,242	1,468	0.193	26.2	14.7	1.471	1.9	0.038	1.3	13.6
2014A	13,895	1,867	0.234	21.5	12.4	1.786	1.6	0.044	1.5	14.2
2015F	16,244	2,477	0.295	25.9	9.9	2.037	1.4	0.059	2.0	15.4
2016F	17,636	2,768	0.329	11.7	8.8	2.307	1.3	0.066	2.3	15.2
2017F	19,220	3,114	0.370	12.5	7.8	2.611	1.1	0.074	2.6	15.1

Shares in issue (m) 总股数 (m)	8,408.0	Major shareholder 大股东	China Huadian 62.8%
Market cap. (HK\$ m) 市值 (HK\$ m)	30,605.0	Free float (%) 自由流通比率 (%)	26.8
3 month average vol. 3 个月平均成交股数 ('000)	19,185.2	FY15 Net gearing (%) FY15 净负债/股东资金 (%)	352.6
52 Weeks high/low (HK\$) 52 周高/低	4.940 / 3.080	FY15 Est. NAV (HK\$) FY15 每股估值 (港元)	5.5

Source: the Company, Guotai Junan International.

Huadian Fuxin Energy (“the Company” or “HDFX”) FY14 results recap: FY14 revenue recorded RMB13.9bn, up 4.9% YoY. Net profit recorded RMB1.87bn, up 27.2% YoY, with EPS of RMB0.234, up 21.5% YoY, 2.5% below market consensus and 3.9% above our estimates. The Company added 1,889MW new capacity in 2014, including 1,389MW wind capacity (2.1% below expectation), 289MW solar capacity (5.7% above expectation), and 211MW distributed capacity. Electricity generation in 2014 increased by 6.1% YoY, 1.9% above expectation, among which coal-fired/hydro generation were 5.7%/5.4% higher than expectation, while wind/solar generation were 8.6%/22.2% below expectation.

Table-1: FY14 Results Review

	Actual		Our Est.	YoY/ppt	vs Est.	Comments
	2013A	2014A	2014F			
Operation Result						
Total installed capacity (MW)	10,424	12,313	12,380	18.1%	-0.5%	
Installed coal-fired capacity (MW)	3,850	3,850	3,850	0.0%	0.0%	
Installed hydro capacity (MW)	2,457	2,457	2,457	0.0%	0.0%	
Installed wind capacity (MW)	3,501	4,889	4,996	39.7%	-2.1%	2014 wind capacity increase slightly below expected
Installed solar capacity (MW)	435	724	685	66.4%	5.7%	
Installed other clean capacity (MW)	181	392	392	116.4%	0.0%	
Total electricity generation (TWh)	34.4	36.5	35.8	6.1%	1.9%	
Coal-fired generation (TWh)	19.5	19.3	18.3	-0.9%	5.7%	
Hydro generation (TWh)	7.7	8.9	8.5	16.3%	5.4%	Coal-fired, hydro better-than-expected, while wind, solar below expected
Wind generation (TWh)	6.2	6.8	7.4	9.6%	-8.6%	
Solar generation (TWh)	0.3	0.5	0.7	75.8%	-22.2%	
Other clean energy generation (TWh)	0.8	1.0	1.0	24.8%	-2.9%	
Financial Result (RMB Mn)						
Revenue	13,242	13,895	13,958	4.9%	-0.4%	
Other net income	61	237	111	285.7%	112.9%	Higher-than-expected subsidies & penalty income
Cost of fuel	(4,362)	(4,218)	(3,830)	-3.3%	10.1%	Driven by above-expected coal-fired generation
Cost of substituted electricity	(140)	(55)	(136)	-60.9%	-59.8%	Substituted electricity transaction reduced YoY
D&A	(2,175)	(2,667)	(2,553)	22.6%	4.5%	Higher unit D&A per KW of wind & solar capacity
Service concession construction	(81)	(27)	(145)	-67.3%	-81.7%	
Personnel costs	(955)	(1,052)	(1,054)	10.1%	-0.2%	
R&M	(440)	(426)	(470)	-3.3%	-9.4%	
Administration expenses	(415)	(405)	(455)	-2.3%	-11.0%	Good control of overhead expenses
Other operating expenses	(339)	(342)	(381)	0.9%	-10.0%	
Operating expenses	(8,907)	(9,190)	(9,022)	3.2%	1.9%	
Operating profit	4,397	4,942	5,047	12.4%	-2.1%	
Finance income	120	173	124	44.5%	39.9%	
Finance expenses	(2,425)	(2,518)	(2,617)	3.8%	-3.8%	
Share of profits of Asso.	94	84	142	-10.5%	-41.0%	
PBT	2,185	2,681	2,696	22.7%	-0.6%	
Income tax	(484)	(534)	(591)	10.2%	-9.7%	
PAT	1,701	2,147	2,105	26.2%	2.0%	
Non-controlling interests	(233)	(280)	(306)	20.0%	-8.6%	
Net profit	1,468	1,867	1,799	27.2%	3.8%	
EPS	0.193	0.234	0.225	21.5%	3.9%	
Margins & Ratios						
EBITDA margin	50.3%	55.4%	55.5%	5.0ppt	-0.1ppt	
Operating margin	33.2%	35.6%	36.2%	2.4ppt	-0.6ppt	
Net margin	11.1%	13.4%	12.9%	2.4ppt	0.6ppt	
Effective tax rate	22.1%	19.9%	21.9%	-2.2ppt	-2.0ppt	
ROE	13.6%	14.2%	13.8%	0.6ppt	0.5ppt	
Net gearing	365.7%	328.2%	326.1%	-37.4ppt	2.1ppt	

Source: the Company, Guotai Junan International.

Analyst briefing key information recap: 1) The No.1 nuclear unit of Fuqing Nuclear Power has commenced operation in Nov. 2014, and the No.2, No.3 & No.4 units are expected to commence operation in Aug. 2015, Feb. 2016 and early 2017; 2) The coal consumption rate went up in 2014 as HDFX consumed higher ratio of Indonesian coal, whose quality was poorer but more economic; 3) Thermal utilisation hour may further step down in the future, but won't be too sharp in short term as Fujian's power demand growth is still robust, with roughly 8% for Jan.-Feb. 2015, and besides the commencement of operation of UHV AC line between Zhejiang North & Fuzhou might also help; 4) Wind utilisation was relatively poor due to low wind speed, which decreased by 8-12% YoY in 2014, and the management expects wind utilisation could recover to 2,000 hours; 5) the Company planned to add 1.5GW wind capacity, 200MW solar capacity, 110MW hydro capacity, and over 100MW distributed capacity, and Shaowu Phase III is expected to begin construction in 2015; 6) The Company targets to maintain its net gearing ratio at no higher than 300%, and total liability to total asset ratio no higher than 80%.

Key FY15/16/17 assumptions adjustments for HDFX:

- 1) **Revised up wind expansion scale assumption in 2015 while assumptions for 2016/2017 were cut.** HDFX will accelerate its wind capacity construction progress in 2015 before on-grid tariffs for on-shore wind projects for Zone I, II and III are cut by RMB2cent/KWh. However this may lead to a deceleration in wind capacity expansion after 2015.
- 2) **Solar capacity expansion scale for FY15-17 is also revised down to match management guidance.** We now expect HDFX to add 200MW solar capacity each year instead of 250MW.
- 3) **Total coal-fired net generations are revised down,** mainly because: 1) lower substituted electricity sales assumptions for FY15-16; 2) we now expect a later COD of Shaowu Phase III from 3Q17 to 4Q17 as management now expects it may begin construction by the end of 2015.
- 4) **Average on-grid tariffs are revised down,** mainly because coal-fired tariff is expected to be cut by RMB1.5cent/KWh in 2Q15.
- 5) **Standard thermal coal price assumptions are cut to RMB470/450/450 per ton for FY15/16/17 from RMB500/t,** due to the poorer-than-expected performance of 2015 YTD QHD5,500Kcal FOB (down from RMB520/t to RMB460/t YTD, representing 11.5% decrease).

HDFX announced to acquire the 10% interest of Sanmen Nuclear Project from China Huadian with consideration of RMB1.12bn. Public information shows that Sanmen Nuclear Project is controlled by China National Nuclear Power (51%), and 2 units of AP1000 with capacity of 1,250MW are under construction, which is expected to begin operation in 2016. The acquisition will increase the nuclear power exposure and raise the attributable nuclear capacity of HDFX; on the other hand this will also increase HDFX's capital expenditure for the next few years.

Maintain "Buy" rating and slightly raise TP to HK\$4.65. FY15/16/17 EPS are slightly revised (0.0%/+3.3%/-2.3%) to RMB0.295/0.329/0.370, mainly caused by: 1) revise up the newly installed capacity assumption in FY15 while cut them for FY16-17, 2) coal-fired tariff is expected to be cut, which is partially offset by: 1) average borrowing rate is also revised down given the recent interest cut in Feb. 2015; 2) thermal coal price assumptions are further cut for FY15-17. Maintain "Buy" rating and slightly upgrade TP to HK\$4.65, representing 12.6x/11.3x/10.0x FY15/16/17 PER.

Table-2: Key operating assumptions adjustments for Huadian Fuxin

	Old forecast			New forecast			Change		
	2015F	2016F	2017F	2015F	2016F	2017F	2015F	2016F	2017F
Newly installed consolidated capacity (MW)	1,700.0	1,500.0	3,170.0	1,964.4	1,250.0	2,820.0	15.6%	-16.7%	-11.0%
Coal-fired	0.0	(250.0)	1,320.0	0.0	(250.0)	1,320.0	n.a.	0.0%	0.0%
Hydro	110.0	100.0	100.0	110.0	100.0	100.0	0.0%	0.0%	0.0%
Wind	1,200.0	1,400.0	1,500.0	1,500.0	1,200.0	1,200.0	25.0%	-14.3%	-20.0%
Solar	250.0	250.0	250.0	200.0	200.0	200.0	-20.0%	-20.0%	-20.0%
Distributed	140.0	0.0	0.0	154.4	0.0	0.0	10.3%	n.a.	n.a.
Biomass	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.	n.a.
Consolidated installed capacity (MW)	14,080.3	15,580.3	18,750.3	14,277.2	15,527.2	18,347.2	1.4%	-0.3%	-2.1%
Coal-fired	3,850.0	3,600.0	4,920.0	3,850.0	3,600.0	4,920.0	0.0%	0.0%	0.0%
Hydro	2,567.0	2,667.0	2,767.0	2,567.0	2,667.0	2,767.0	0.0%	0.0%	0.0%
Wind	6,195.8	7,595.8	9,095.8	6,389.3	7,589.3	8,789.3	3.1%	-0.1%	-3.4%
Solar	935.2	1,185.2	1,435.2	924.2	1,124.2	1,324.2	-1.2%	-5.1%	-7.7%
Distributed	507.0	507.0	507.0	521.4	521.4	521.4	2.8%	2.8%	2.8%
Biomass	25.3	25.3	25.3	25.3	25.3	25.3	0.0%	0.0%	0.0%
Average operating capacity (MW)	13,135.3	14,517.8	16,702.8	13,212.0	14,652.2	16,232.2	0.6%	0.9%	-2.8%
Coal-fired	3,850.0	3,850.0	4,260.0	3,850.0	3,850.0	3,930.0	0.0%	0.0%	-7.7%
Hydro	2,484.5	2,592.0	2,692.0	2,484.5	2,592.0	2,692.0	0.0%	0.0%	0.0%
Wind	5,595.8	6,545.8	7,970.8	5,639.3	6,689.3	7,889.3	0.8%	2.2%	-1.0%
Solar	747.7	997.7	1,247.7	774.2	974.2	1,174.2	3.5%	-2.4%	-5.9%
Distributed	432.0	507.0	507.0	438.7	521.4	521.4	1.6%	2.8%	2.8%
Biomass	25.3	25.3	25.3	25.3	25.3	25.3	0.0%	0.0%	0.0%
Utilization hours (h)	3,061	2,954	2,890	3,032	2,934	2,854	-0.9%	-0.7%	-1.2%
Coal-fired	4,656	4,595	4,550	4,658	4,597	4,552	0.0%	0.0%	0.0%
Hydro	3,400	3,350	3,350	3,350	3,350	3,350	-1.5%	0.0%	0.0%
Wind	1,950	1,975	2,000	1,930	1,955	1,980	-1.0%	-1.0%	-1.0%
Solar	1,400	1,400	1,400	1,400	1,400	1,400	0.0%	0.0%	0.0%
Distributed	4,050	4,050	4,050	3,900	3,900	3,900	-3.7%	-3.7%	-3.7%
Biomass	5,100	5,100	5,100	5,100	5,100	5,100	0.0%	0.0%	0.0%
Net Generation (GWh)	38,737	41,271	45,929	38,460	41,300	44,458	-0.7%	0.1%	-3.2%
Coal-fired (self)	16,915	16,695	18,292	16,919	16,700	16,882	0.0%	0.0%	-7.7%
Coal-fired (substituted)	500	500	0	175	100	0	-65.0%	-80.0%	n.a.
Hydro	8,321	8,553	8,883	8,198	8,553	8,883	-1.5%	0.0%	0.0%
Wind	10,157	12,035	14,920	10,303	12,490	14,960	1.4%	3.8%	0.3%
Solar	997	1,341	1,686	1,054	1,330	1,605	5.7%	-0.9%	-4.8%
Distributed	1,722	2,020	2,020	1,684	2,001	2,001	-2.2%	-1.0%	-1.0%
Biomass	127	127	127	127	127	127	0.0%	0.0%	0.0%
Average on-grid tariff (VAT excl.) (RMB/MWh)	409	418	422	409	415	420	-0.1%	-0.8%	-0.6%
Coal-fired (self)	374	374	374	370	366	366	-1.1%	-2.3%	-2.3%
Coal-fired (substituted)	452	452	n.a.	437	437	n.a.	-3.3%	-3.3%	n.a.
Hydro	277	277	278	277	277	278	0.0%	0.0%	0.0%
Wind	480	480	480	484	480	480	0.8%	0.2%	0.0%
Solar	913	900	891	904	896	890	-1.0%	-0.5%	-0.1%
Distributed	667	667	667	667	667	667	0.0%	0.0%	0.0%
Biomass	635	635	635	635	635	635	0.0%	0.0%	0.0%
Electricity sales (VAT excl.) (RMB Mn)	15,861	17,254	19,396	15,736	17,132	18,659	-0.8%	-0.7%	-3.8%
Coal-fired (self)	6,324	6,250	6,843	6,253	6,109	6,171	-1.1%	-2.3%	-9.8%
Coal-fired (substituted)	226	226	0	76	44	0	-66.2%	-80.7%	n.a.
Hydro	2,303	2,372	2,468	2,269	2,372	2,468	-1.5%	0.0%	0.0%
Wind	4,870	5,771	7,155	4,982	6,001	7,176	2.3%	4.0%	0.3%
Solar	910	1,207	1,503	952	1,191	1,430	4.7%	-1.3%	-4.9%
Distributed	1,148	1,347	1,347	1,122	1,334	1,334	-2.2%	-1.0%	-1.0%
Biomass	81	81	81	81	81	81	0.0%	0.0%	0.0%
Unit margin of power sold (RMB/MWh)	309	321	332	310	323	334	0.4%	0.5%	0.7%
Coal-fired (self)	201	201	200	196	200	201	-2.4%	-0.2%	0.4%
Coal-fired (substituted)	175	170	n.a.	210	205	n.a.	20.0%	20.6%	n.a.
Hydro	277	277	278	277	277	278	0.0%	0.0%	0.0%
Wind	480	480	480	484	480	480	0.8%	0.2%	0.0%
Solar	913	900	891	904	896	890	-1.0%	-0.5%	-0.1%
Distributed	216	216	216	208	191	191	-3.7%	-11.5%	-11.5%
Biomass	200	200	200	150	150	150	-25.0%	-25.0%	-25.0%

Source: Guotai Junan International.

Table-3: Key financial results adjustments for Huadian Fuxin

	Old forecast			New forecast			Change %/ppt		
	2015F	2016F	2017F	2015F	2016F	2017F	2015F	2016F	2017F
Financials (RMB Mn)									
Revenue	16,437	17,891	20,136	16,244	17,636	19,220	-1.2%	-1.4%	-4.6%
Other net income	83	97	112	95	110	124	14.4%	12.9%	10.4%
Cost of fuel	(4,182)	(4,342)	(4,678)	(4,099)	(4,138)	(4,170)	-2.0%	-4.7%	-10.9%
Cost of substituted electricity	(138)	(141)	0	(40)	(23)	0	-71.3%	-83.6%	n.a.
Depreciation and amortization	(3,113)	(3,624)	(4,124)	(3,248)	(3,799)	(4,245)	4.4%	4.8%	2.9%
Service concession construction costs	(128)	(137)	(190)	(147)	(117)	(162)	14.1%	-14.6%	-14.9%
Personnel costs	(1,252)	(1,368)	(1,555)	(1,260)	(1,380)	(1,511)	0.6%	0.9%	-2.8%
Repairs and maintenance	(578)	(653)	(768)	(528)	(601)	(682)	-8.6%	-8.0%	-11.3%
Administration expenses	(499)	(548)	(602)	(433)	(462)	(494)	-13.3%	-15.6%	-17.9%
Other operating expenses	(449)	(491)	(558)	(421)	(459)	(500)	-6.4%	-6.6%	-10.3%
Total operating expenses	(10,341)	(11,303)	(12,475)	(10,175)	(10,979)	(11,764)	-1.6%	-2.9%	-5.7%
Operating profit	6,178	6,685	7,773	6,164	6,766	7,580	-0.2%	1.2%	-2.5%
Finance income	103	101	98	143	200	225	37.8%	99.1%	129.7%
Finance expenses	(2,931)	(3,392)	(3,915)	(3,025)	(3,538)	(4,035)	3.2%	4.3%	3.1%
Profits of associates and JV	262	514	783	244	486	745	-7.0%	-5.4%	-4.8%
Profit before tax	3,613	3,907	4,739	3,525	3,914	4,515	-2.4%	0.2%	-4.7%
Income tax	(802)	(886)	(1,093)	(701)	(796)	(936)	-12.6%	-10.2%	-14.4%
Profit after tax	2,811	3,022	3,646	2,823	3,118	3,579	0.4%	3.2%	-1.8%
Non-controlling interests	(333)	(342)	(458)	(347)	(351)	(465)	4.0%	2.4%	1.6%
Net profit	2,477	2,679	3,188	2,477	2,768	3,114	0.0%	3.3%	-2.3%
Basic EPS (RMB)	0.295	0.319	0.379	0.295	0.329	0.370	0.0%	3.3%	-2.3%
Margins and ratios									
EBITDA Margin	58.1%	60.5%	63.0%	59.4%	62.7%	65.4%	1.3ppt	2.2ppt	2.4ppt
Operating Margin	37.6%	37.4%	38.6%	37.9%	38.4%	39.4%	0.4ppt	1.0ppt	0.8ppt
Net Profit Margin	15.1%	15.0%	15.8%	15.2%	15.7%	16.2%	0.2ppt	0.7ppt	0.4ppt
Effective tax rate	22.2%	22.7%	23.1%	19.9%	20.3%	20.7%	-2.3ppt	-2.3ppt	-2.3ppt
Average borrowing rate	6.21%	6.21%	6.21%	6.08%	5.96%	5.96%	-0.13ppt	-0.25ppt	-0.25ppt
Interest Coverage Ratio	195.9%	192.3%	200.0%	190.5%	186.1%	191.0%	-5.4ppt	-6.2ppt	-9.1ppt
ROE	15.5%	14.8%	15.5%	15.4%	15.2%	15.1%	-0.1ppt	0.4ppt	-0.5ppt
Net Debt/Equity	329.6%	330.8%	345.5%	352.6%	340.4%	344.5%	23.0ppt	9.6ppt	-1.1ppt

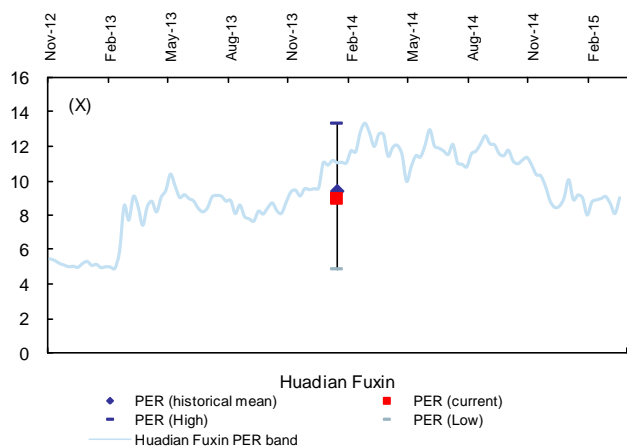
Source: Guotai Junan International.

Table-4: Sensitivity analysis for Huadian Fuxin

EPS Sensitivity Analysis	EPS (RMB)		
	2015F	2016F	2017F
Base Case EPS (RMB)	0.295	0.329	0.370
EPS (RMB)			
QHD5,500Kcal coal price +5%	0.282	0.318	0.359
QHD5,500Kcal coal price +10RMB/t	0.290	0.324	0.366
Coal-fired on-grid tariff +5%	0.321	0.355	0.396
Coal-fired on-grid tariff +10RMB/MWh	0.309	0.343	0.384
Wind utilisation hours +5%	0.316	0.355	0.400
Wind utilisation +50hrs	0.305	0.342	0.385
Hydro utilisation hours +5%	0.304	0.339	0.381
Hydro utilisation +50hrs	0.297	0.332	0.373
Average borrowing rate +25bps	0.284	0.317	0.356
EPS change (RMB)			
QHD5,500Kcal coal price +5%	(0.012)	(0.012)	(0.011)
QHD5,500Kcal coal price +10RMB/t	(0.005)	(0.005)	(0.005)
Coal-fired on-grid tariff +5%	0.026	0.026	0.026
Coal-fired on-grid tariff +10RMB/MWh	0.014	0.014	0.014
Wind utilisation hours +5%	0.021	0.026	0.030
Wind utilisation +50hrs	0.011	0.013	0.015
Hydro utilisation hours +5%	0.010	0.010	0.010
Hydro utilisation +50hrs	0.003	0.003	0.003
Average borrowing rate +25bps	(0.010)	(0.012)	(0.014)
EPS change (%)			
QHD5,500Kcal coal price +5%	-4.1%	-3.5%	-3.1%
QHD5,500Kcal coal price +10RMB/t	-1.7%	-1.5%	-1.3%
Coal-fired on-grid tariff +5%	9.0%	7.9%	6.9%
Coal-fired on-grid tariff +10RMB/MWh	4.9%	4.3%	3.8%
Wind utilisation hours +5%	7.1%	7.7%	8.0%
Wind utilisation +50hrs	3.7%	4.0%	4.1%
Hydro utilisation hours +5%	3.3%	3.1%	2.8%
Hydro utilisation +50hrs	1.0%	0.9%	0.8%
Average borrowing rate +25bps	-3.5%	-3.8%	-3.7%

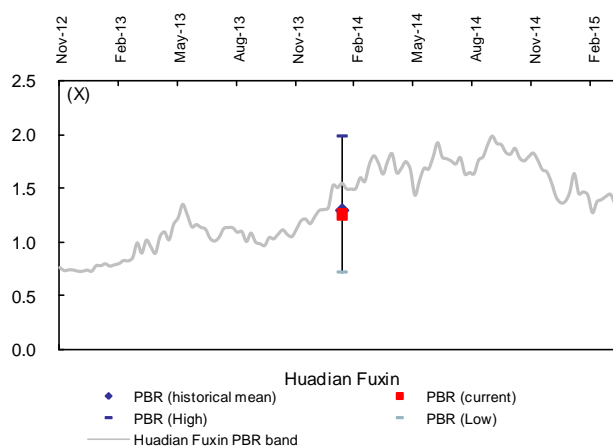
Source: Guotai Junan International.

Figure-1: Forward PER Curve of Huadian Fuxin



Source: Bloomberg, Guotai Junan International.

Figure-2: P/B Curve of Huadian Fuxin



Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement					
Year end Dec (RMB m)	2013A	2014A	2015F	2016F	2017F
Revenue	13,242	13,895	16,244	17,636	19,220
Other net income	61	237	95	110	124
Cost of fuel	(4,362)	(4,218)	(4,099)	(4,138)	(4,170)
Cost of substituted electricity	(140)	(55)	(40)	(23)	0
D&A	(2,175)	(2,667)	(3,248)	(3,799)	(4,245)
Service concession costs	(81)	(27)	(147)	(117)	(162)
Personnel costs	(955)	(1,052)	(1,260)	(1,380)	(1,511)
R&M	(440)	(426)	(528)	(601)	(682)
Administration expenses	(415)	(405)	(433)	(462)	(494)
Other operating expenses	(339)	(342)	(421)	(459)	(500)
Operating profit	4,397	4,942	6,164	6,766	7,580
Finance income	120	173	143	200	225
Finance expenses	(2,425)	(2,518)	(3,025)	(3,538)	(4,035)
Profits of associates and JV	94	84	244	486	745
PBT	2,185	2,681	3,525	3,914	4,515
Income tax	(484)	(534)	(701)	(796)	(936)
PAT	1,701	2,147	2,823	3,118	3,579
Non-controlling interests	(233)	(280)	(347)	(351)	(465)
Net profit	1,468	1,867	2,477	2,768	3,114
EPS (RMB)	0.193	0.234	0.295	0.329	0.370
DPS (RMB)	0.038	0.044	0.059	0.066	0.074

Cash Flow Statement					
Year end Dec (RMB m)	2013A	2014A	2015F	2016F	2017F
PBT	2,185	2,681	3,525	3,914	4,515
Adjustments:					
D&A	2,175	2,667	3,248	3,799	4,245
Interest income	(46)	(55)	(40)	(37)	(46)
Interest expenses	2,141	2,495	3,001	3,511	4,007
Dividend income	(74)	(104)	(102)	(163)	(179)
Profits of associates and JV	(94)	(84)	(244)	(486)	(745)
Other adjustments	11	(27)	(28)	(40)	(50)
Changes in working capital	551	346	(1,590)	(325)	(370)
Income tax paid	(228)	(430)	(565)	(656)	(768)
Cash flow of operating	6,622	7,490	7,204	9,517	10,608
Payments for PP&E	(7,187)	(12,301)	(12,951)	(10,478)	(15,277)
Payments for subsidiaries	(811)	0	0	0	0
Payments for interest in associates	(755)	(1,082)	(1,898)	(783)	(711)
Dividends received	96	104	102	163	179
Interest received	46	55	40	37	46
Others	55	41	104	224	405
Cash flow of investing	(8,557)	(13,183)	(14,603)	(10,836)	(15,357)
Net proceeds from issuance of shares	0	2,243	0	0	0
Proceeds from borrowings	14,752	20,857	27,000	25,000	30,000
Government grant received	100	122	128	135	142
Repayment of borrowings	(9,747)	(12,555)	(15,765)	(17,612)	(20,090)
Dividends paid	(377)	(457)	(530)	(695)	(760)
Interest paid	(2,216)	(2,812)	(3,354)	(3,840)	(4,318)
Payments of finance lease obligations	(1,442)	(299)	(262)	(278)	(147)
Others	68	100	100	100	100
Cash flow of financing	1,139	7,200	7,316	2,810	4,926
Net change of cash	(796)	1,507	(83)	1,490	177
Beginning cash	2,576	1,769	3,291	3,208	4,698
FX rate changes	(11)	15	0	0	0
Ending cash	1,769	3,291	3,208	4,698	4,875

Financial Ratios					
	2013A	2014A	2015F	2016F	2017F
Net Gearing (X)	3.7	3.3	3.5	3.4	3.4
Current Ratio (X)	0.3	0.4	0.3	0.3	0.3
Dividend Yield (%)	1.3	1.5	2.0	2.3	2.6
Interest Coverage Ratio (X)	1.8	1.8	1.9	1.9	1.9

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end Dec (RMB m)	2013A	2014A	2015F	2016F	2017F
PP&E	52,265	66,074	77,181	84,848	96,474
Lease prepayments	998	1,080	1,202	1,292	1,425
Intangible assets	1,096	1,100	1,464	1,597	1,788
Investment in associate	3,546	4,433	5,397	6,482	7,574
Other investments	512	512	1,628	1,628	1,628
Other non-current assets	2,289	2,987	2,660	2,584	3,184
Total non-current assets	60,706	76,186	89,532	98,432	112,074
Inventories	412	427	467	488	511
Trade receivable	3,049	3,492	3,926	4,314	4,705
Prepayments	1,474	1,854	1,673	1,780	1,603
Tax recoverable	33	18	75	87	102
Restricted deposits	234	668	701	736	773
Cash and cash equivalents	1,769	3,291	3,208	4,698	4,875
Total current assets	6,970	9,749	10,051	12,104	12,569
Total assets	67,676	85,935	99,583	110,536	124,644
Current borrowings	11,617	11,997	17,342	19,374	22,099
Obligations under finance leases	99	64	262	278	147
Trade payable	1,777	2,915	1,711	1,753	1,794
Other payables	8,049	11,246	12,185	13,044	14,047
Other current liabilities	274	357	492	575	676
Total current liabilities	21,816	26,579	31,992	35,023	38,764
Non-current borrowings	30,301	39,830	45,720	51,076	58,261
Obligations under finance leases	746	678	262	0	0
Deferred income	321	370	458	543	623
Deferred tax liabilities	782	820	1,102	1,332	1,519
Total non-current liabilities	32,149	41,698	47,543	52,950	60,402
Total liabilities	53,966	68,277	79,535	87,973	99,166
Share capital	7,623	8,408	8,408	8,408	8,408
Reserves	3,588	6,605	8,716	10,988	13,548
Shareholder's equity	11,211	15,013	17,124	19,396	21,956
Non-controlling interests	2,500	2,646	2,924	3,167	3,522
Total equity	13,711	17,659	20,048	22,563	25,478
BPS (RMB)	1.471	1.786	2.037	2.307	2.611

Margin and Efficiency					
	2013A	2014A	2015F	2016F	2017F
EBITDA Margin (%)	50.3	55.4	59.4	62.7	65.4
Operating Margin (%)	33.2	35.6	37.9	38.4	39.4
Net Profit Margin (%)	11.1	13.4	15.2	15.7	16.2
Dividend Payout Ratio (%)	19.8	18.6	20.0	20.0	20.0
Inventory Days	31.3	33.5	36.9	37.6	38.4
Receivable Days	84.0	91.7	88.2	89.3	89.3

Growth (%)					
	2013A	2014A	2015F	2016F	2017F
Revenue	37.8	4.9	16.9	8.6	9.0
EBITDA	36.9	15.4	25.5	14.4	13.8
Operating Profit	37.4	12.4	24.7	9.8	12.0
Net Profit	41.1	27.2	32.6	11.7	12.5
Dividend	32.2	13.9	35.4	11.7	12.5

Valuation					
	2013A	2014A	2015F	2016F	2017F
PE (X)	14.7	12.4	9.9	8.8	7.8
EV/EBITDA (X)	9.8	9.6	8.8	8.2	8.0
EV/Sales (X)	4.9	5.3	5.2	5.1	5.2
P/BV (X)	1.9	1.6	1.4	1.3	1.1
ROE (%)	13.6	14.2	15.4	15.2	15.1
ROA (%)	2.3	2.4	2.7	2.6	2.6
ROCE (%)	6.4	6.0	6.4	6.5	6.5

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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