中國銀河國際
CHINA GALAXY INTERNATIONAL

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China Longyuan Power Group [0916.HK]

Earnings and TP cut on weak power generation; Potential tariff cut remains an overhang but largely discounted in share price

Longyuan's wind power generation in October only increased 7.9% YoY, implying an 11% decline in utilization hours. We are concerned about the weakness in power demand will lead to further increase in grid curtailment. We therefore lowered our 2015E/2016E earnings forecasts by 5%/12% after incorporating lower assumptions on utilization hours and installation addition. Our DCF-based TP is revised to HK$10.10 from HK$11.00. That said, we maintain our BUY rating as we believe the recent share price decline has largely reflected the risk of potential tariff cut. The actual tariff revision could be less than the proposed one, based on track record.

- **Weak power generation growth in October**. Total power generation increased 7.5% in October. Of which, wind power generation increased 7.9%, slowed from 8.3% in September. We estimate the wind utilization hours in October dropped 11% YoY, which we believe was due to both weakness in wind resources and rising grid curtailment. In 10m16, wind power generation grew 17.4% with utilization hours increased ~1%.
- **Earnings cut by 5%/12% for 2015E/2016E on more conservative assumptions**. We lowered our full year wind utilization forecast to 1,979 hours (flat YoY) from 2,071 hours, as we believe the grid curtailment rate is less likely to be improved in 4Q16. We also trimmed the wind utilization for 2016E by 3% to 2,050 hours. Besides, we lowered our installation assumption for this year to 2.2GW from 2.6GW.
- **Longyuan has sizable existing projects to mitigate the potential tariff cut.** We estimate the consolidated wind power installed capacity to reach 15.7GW by year end. Assuming 2GW of annual additions between 2016E and 2017E, the new capacity that will potentially be affected by the new tariff will be only ~20% of total capacity by end 2017E. We have not yet revised our tariff assumptions given that the proposed tariff by NDRC is not finalized and we expect a less aggressive one.
- **Risks:** (1) Further change in tariff; (2) capacity ramp-up risk; (3) rebound of grid curtailment rate; (4) delay in power transmission line construction.

Key financials (RMB m)	2012	2013	2014	2015E	2016E
Revenue	17,288	19,123	18,207	20,476	22,225
Change (YoY)	*7.0%*	*10.6%*	*-4.8%*	*12.5%*	*8.5%*
Other income	1,296	432	437	456	647
Adjusted EBIT	4,749	5,568	6,121	7,189	8,559
Change (YoY)	*26.1%*	*17.2%*	*9.9%*	*17.4%*	*19.1%*
Recurring net profit	**1,788**	**2,404**	**2,633**	**3,489**	**4,115**
Change (YoY)	*5.6%*	*34.4%*	*9.5%*	*32.5%*	*17.9%*
Recurring EPS	0.239	0.299	0.328	0.434	0.512
Change (YoY)	*5.4%*	*25.1%*	*9.5%*	*32.5%*	*17.9%*
PER (x)	**24.7**	**19.3**	**17.8**	**14.2**	**12.1**
Dividend yield	1.2%	0.8%	1.0%	1.2%	1.5%
PBR (x)	1.5	1.5	1.4	1.4	1.3
EV/EBITDA (x)	11.2	10.5	9.4	8.1	6.9
Net debt/equity	146.3%	142.5%	164.0%	167.6%	164.2%
Recurring ROE	6.5%	8.0%	8.2%	10.1%	11.0%

Sources: Company, CGIHK Research estimates

Wind Power Sector

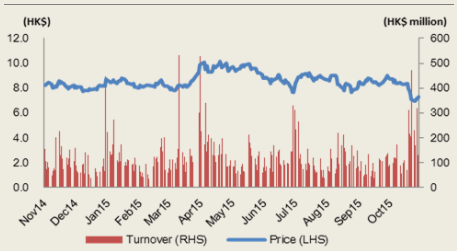
BUY

(Unchanged)

Close: HK$7.29 (Nov 6, 2015)

Target Price: HK$10.1 (+39%)

Share Price Performance



Market Cap	US$7,559m
Shares Outstanding	8,036.4m
Auditor	KPMG
Free Float	35%
52W range	HK$6.85-11.36
3M average daily T/O	US$10m
Major Shareholding	Guodian Group (58.4%)

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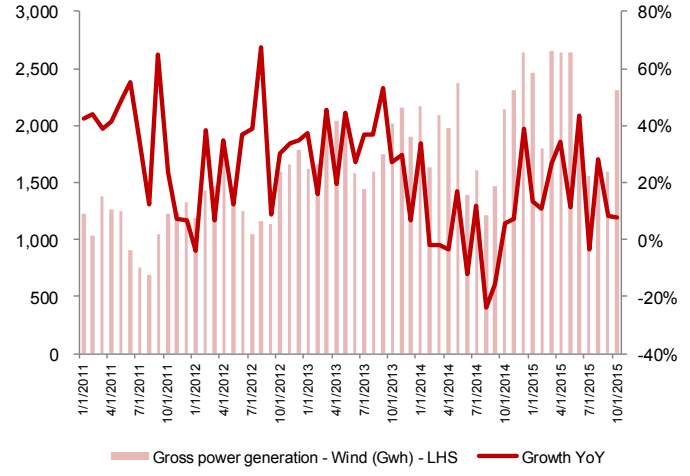
Figure 1: Longyuan Monthly Wind Power Generation

	Oct-14	Sep-15	Oct-15	Chg (YoY)
Gross power generation (Gwh)				
Wind power				
Heilongjiang	255	120	178	*-30%*
Jilin	48	36	95	*97%*
Liaoning	233	116	209	*-10%*
Inner Mongolia	406	314	437	*8%*
Jiangsu	195	155	177	*-9%*
Zhejiang	25	21	28	*10%*
Fujian	157	72	174	*11%*
Hainan	12	9	11	*-8%*
Gansu	118	89	98	*-17%*
Xinjiang	187	164	190	*1%*
Hebei	152	118	232	*53%*
Yunnan	69	54	68	*-2%*
Anhui	67	65	84	*25%*
Shandong	20	23	41	*102%*
Tianjin	21	17	30	*43%*
Shanxi	57	63	101	*78%*
Ningxia	35	47	20	*-42%*
Guizhou	50	25	47	*-5%*
Shaanxi	32	40	39	*20%*
Tibet	1	1	1	*-35%*
Chongqing	0	10	9	*n/a*
Shanghai	0	11	10	*n/a*
Canada	0	18	30	*n/a*
Wind power total	**2,140**	**1,590**	**2,309**	***8%***
Coal power	628	705	646	*3%*
Other renewable power	34	35	60	*75%*
Total	**2,803**	**2,330**	**3,014**	***8%***

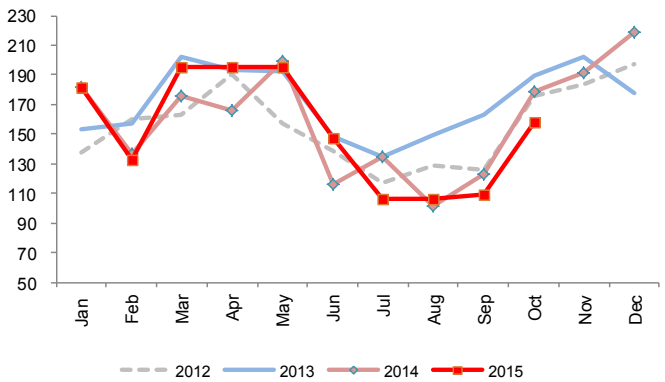
Figure 2: Longyuan Monthly Wind Power Utilization Hours

	Oct-14	Sep-15	Oct-15	Chg (YoY)
Estimated utilization hours				
Heilongjiang	224	98	145	*-35%*
Jilin	138	81	212	*53%*
Liaoning	232	116	209	*-10%*
Inner Mongolia	178	132	183	*3%*
Jiangsu	181	98	112	*-38%*
Zhejiang	184	101	131	*-29%*
Fujian	309	143	345	*11%*
Hainan	122	92	112	*-8%*
Gansu	114	69	76	*-33%*
Xinjiang	172	127	147	*-14%*
Hebei	156	110	217	*39%*
Yunnan	131	86	110	*-16%*
Anhui	152	111	144	*-5%*
Shandong	203	79	138	*-32%*
Tianjin	157	129	225	*43%*
Shanxi	142	105	169	*19%*
Ningxia	126	124	53	*-58%*
Guizhou	201	57	107	*-47%*
Shaanxi	216	202	195	*-10%*
Tibet	137	115	90	*-35%*
Chongqing	0	210	185	*n/a*
Shanghai	0	236	213	*n/a*
Canada	0	182	306	*n/a*
Wind power average	**179**	**109**	**158**	*-11%*

Monthly Wind Power Generation



Implied Monthly Utilization Hours



Sources: Company, CGIHK Research

Figure 3: Key Assumptions

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015E	2016E
Wind power											
Capacity installed (MW)											
Consolidated	**587**	**1,298**	**2,503**	**4,504**	**6,556**	**8,598**	**10,544**	**11,910**	**13,543**	**15,743**	**17,743**
Change YoY	-	*121.3%*	*92.8%*	*79.9%*	*45.6%*	*31.1%*	*22.6%*	*13.0%*	*13.7%*	*16.2%*	*12.7%*
Annual addition		**712**	**1,205**	**2,001**	**2,053**	**2,042**	**1,945**	**1,366**	**1,633**	**2,200**	**2,000**
Average	**254**	**653**	**1,553**	**2,718**	**4,577**	**6,592**	**8,474**	**10,388**	**11,661**	**13,744**	**15,648**
Change YoY	-	*157.0%*	*137.7%*	*75.1%*	*68.4%*	*44.0%*	*28.5%*	*22.6%*	*12.2%*	*17.9%*	*13.8%*
Consolidated power generation (Gwh)											
Gross	**562**	**1,514**	**3,655**	**6,211**	**10,094**	**13,355**	**16,820**	**21,929**	**23,088**	**27,197**	**32,075**
Change YoY	-	*169.5%*	*141.5%*	*69.9%*	*62.5%*	*32.3%*	*25.9%*	*30.4%*	*5.3%*	*17.8%*	*17.9%*
Net	**529**	**1,419**	**3,407**	**5,684**	**9,442**	**12,562**	**16,027**	**20,565**	**22,131**	**25,837**	**30,471**
Change YoY	-	*168.0%*	*140.1%*	*66.8%*	*66.1%*	*33.0%*	*27.6%*	*28.3%*	*7.6%*	*16.7%*	*17.9%*
Average utilization hours	**2,211**	**2,317**	**2,354**	**2,268**	**2,217**	**2,026**	**1,985**	**2,111**	**1,980**	**1,979**	**2,050**
Change YoY	-	*4.8%*	*1.6%*	*-3.7%*	*-2.2%*	*-8.6%*	*-2.0%*	*6.3%*	*-6.2%*	*-0.1%*	*3.6%*
Weighted average on-grid tariff (Rmb/kwh, Incl-VAT)	**0.672**	**0.598**	**0.561**	**0.567**	**0.572**	**0.578**	**0.582**	**0.583**	**0.585**	**0.589**	**0.588**
Weighted average on-grid tariff (Rmb/kwh, ex-VAT)	0.574	0.511	0.480	0.485	0.489	0.494	0.498	0.498	0.500	0.503	0.502
Change YoY	-	*-11.0%*	*-6.2%*	*1.1%*	*0.8%*	*1.0%*	*0.8%*	*0.1%*	*0.3%*	*0.6%*	*-0.1%*
Coal power											
Capacity installed (MW)											
Consolidated	**2,425**	**2,425**	**1,875**	**1,875**	**1,875**	**1,875**	**1,875**	**1,875**	**1,875**	**1,875**	**1,875**
Change YoY	-	*0.0%*	*-22.7%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Average	**2,425**	**2,425**	**2,103**	**1,875**	**1,875**	**1,875**	**1,875**	**1,875**	**1,875**	**1,875**	**1,875**
Change YoY	-	*0.0%*	*-13.3%*	*-10.9%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Consolidated power generation (Gwh)											
Gross	**12,809**	**12,442**	**12,670**	**10,910**	**11,353**	**11,749**	**11,231**	**11,064**	**9,641**	**9,844**	**9,938**
Change YoY	-	*-2.9%*	*1.8%*	*-13.9%*	*4.1%*	*3.5%*	*-4.4%*	*-1.5%*	*-12.9%*	*2.1%*	*1.0%*
Net	**11,980**	**11,638**	**11,863**	**10,207**	**10,670**	**10,672**	**10,497**	**10,330**	**8,966**	**9,155**	**9,242**
Change YoY	-	*-2.9%*	*1.9%*	*-14.0%*	*4.5%*	*0.0%*	*-1.6%*	*-1.6%*	*-13.2%*	*2.1%*	*1.0%*
Average Utilization hours	**5,282**	**5,131**	**6,024**	**5,819**	**6,055**	**6,266**	**5,990**	**5,901**	**5,142**	**5,250**	**5,300**
Change YoY	-	*-2.9%*	*17.4%*	*-3.4%*	*4.1%*	*3.5%*	*-4.4%*	*-1.5%*	*-12.9%*	*2.1%*	*1.0%*
Weighted average on-grid tariff (Rmb/kwh, Incl-VAT)	**0.371**	**0.369**	**0.403**	**0.421**	**0.423**	**0.433**	**0.452**	**0.448**	**0.439**	**0.423**	**0.410**
Weighted average on-grid tariff (Rmb/kwh, ex-VAT)	0.317	0.315	0.345	0.360	0.362	0.370	0.386	0.383	0.375	0.362	0.350
Change YoY	-	*-0.6%*	*9.3%*	*4.4%*	*0.5%*	*2.4%*	*4.4%*	*-0.9%*	*-2.0%*	*-3.6%*	*-3.1%*

Sources: Company, CGIHK Research estimates

Figure 4: Longyuan income statement projection

Income Statement (RMB m)	2008	2009	2010	2011	2012	2013	2014	2015E	2016E
Revenue by sector (ex. Service concession construction revenue)	**6,354**	**8,861**	**12,762**	**15,366**	**16,770**	**18,456**	**17,980**	**19,876**	**22,225**
Wind power	1,638	2,754	4,620	6,212	7,981	10,272	11,133	12,999	15,309
Coal power	4,373	5,873	7,714	8,625	8,052	7,525	6,156	6,107	6,036
Others	455	563	695	740	1,007	1,099	1,196	1,290	1,400
Intersegment revenue	(112)	(329)	(267)	(210)	(270)	(441)	(505)	(520)	(520)
Revenue by nature	**8,555**	**9,744**	**14,213**	**16,159**	**17,288**	**19,123**	**18,207**	**20,476**	**22,225**
Sales of electricity	5,752	6,467	8,544	10,270	12,404	14,686	14,913	16,759	19,098
Sales of steam	121	230	311	319	274	252	227	215	211
Service concession construction revenue	2,200	883	1,450	793	519	667	228	600	0
Sales of electricity equipment	264	128	262	289	232	106	130	200	200
Sales of coal	0	1,648	3,276	4,109	3,395	3,010	2,388	2,388	2,388
Others	218	388	369	378	464	402	322	314	328
Other net income	**390**	**574**	**986**	**1,271**	**1,296**	**432**	**437**	**456**	**647**
Government grants									
CERs and VERs income	118	210	392	727	742	54	0	0	0
Others	208	327	362	400	402	346	383	440	636
Rental income from investment ppt	25	22	18	15	11	9	9	10	11
Net (loss)/income from investment ppt/disposal of PP&E	21	4	(3)	112	8	6	(4)	0	0
Gain on disposal of associate/subsidary	0	0	187	0	0	5	29	0	0
Others	19	10	29	17	133	12	21	6	0
Operating expenses	**(6,441)**	**(5,869)**	**(8,882)**	**(9,549)**	**(8,842)**	**(9,163)**	**(7,085)**	**(7,509)**	**(7,109)**
Coal consumption	(3,128)	(2,290)	(2,737)	(2,877)	(2,627)	(2,226)	(1,741)	(1,535)	(1,462)
Coal sales costs	0	(1,553)	(3,046)	(3,897)	(3,197)	(2,860)	(2,247)	(2,269)	(2,269)
Service concession construction costs	(2,200)	(883)	(1,450)	(793)	(519)	(667)	(228)	(600)	0
Personnel costs	(384)	(540)	(662)	(769)	(925)	(1,115)	(1,225)	(1,278)	(1,407)
Material costs	(295)	(150)	(278)	(328)	(479)	(398)	(344)	(359)	(376)
Repairs & maintenance	(87)	(108)	(184)	(254)	(305)	(521)	(450)	(517)	(583)
Administrative expenses	(107)	(148)	(219)	(294)	(402)	(396)	(378)	(383)	(385)
Others	(240)	(197)	(305)	(338)	(390)	(980)	(474)	(568)	(627)
EBITDA	**2,504**	**4,449**	**6,317**	**7,882**	**9,742**	**10,391**	**11,559**	**13,423**	**15,762**
Adjusted EBITDA	**2,113**	**3,875**	**5,331**	**6,610**	**8,446**	**9,959**	**11,122**	**12,967**	**15,115**
D&A	(1,083)	(1,590)	(2,236)	(2,845)	(3,697)	(4,391)	(5,001)	(5,778)	(6,556)
EBIT	**1,421**	**2,858**	**4,081**	**5,036**	**6,045**	**6,000**	**6,559**	**7,645**	**9,206**
Adjusted EBIT	**1,031**	**2,285**	**3,095**	**3,765**	**4,749**	**5,568**	**6,121**	**7,189**	**8,559**
Net finance expenses	(857)	(1,020)	(1,098)	(1,487)	(2,518)	(2,531)	(2,951)	(3,215)	(3,590)
Finance income	146	51	79	400	143	540	198	341	155
Finance expenses	(1,003)	(1,071)	(1,177)	(1,887)	(2,660)	(3,071)	(3,149)	(3,557)	(3,745)
Share of profit/(loss) of JV and associates	53	105	228	60	140	60	454	684	643
Pretax profit	**616**	**1,944**	**3,211**	**3,609**	**3,667**	**3,529**	**4,062**	**5,114**	**6,260**
Income tax	(2)	(296)	(441)	(305)	(342)	(561)	(510)	(690)	(845)
After tax profit	**614**	**1,647**	**2,770**	**3,304**	**3,325**	**2,968**	**3,551**	**4,423**	**5,415**
Minority interest	(276)	(753)	(751)	(667)	(732)	(919)	(993)	(1,194)	(1,300)
Net profit	**337**	**894**	**2,019**	**2,638**	**2,593**	**2,049**	**2,558**	**3,229**	**4,115**
Recurring net profit	**199**	**679**	**1,461**	**1,693**	**1,788**	**2,404**	**2,633**	**3,489**	**4,115**
Exceptional gain/(loss)	139	215	558	945	805	(354)	(75)	(260)	0
Recurring EPS (RMB)	**0.04**	**0.13**	**0.20**	**0.23**	**0.24**	**0.30**	**0.33**	**0.43**	**0.51**
EPS (RMB)	0.07	0.17	0.27	0.35	0.35	0.26	0.32	0.40	0.51
DPS (RMB)	0.00	0.00	0.05	0.07	0.07	0.05	0.06	0.07	0.09

Note: Adjusted EBITDA and adjusted EBIT exclude "other net income"

Net interest coverage = EBITDA/net finance expenses

Sources: Company, CGIHK Research estimates

Figure 5: Longyuan growth rate and margins

Growth rates (YoY)	2008	2009	2010	2011	2012	2013	2014	2015E	2016E
Revenue by sector (ex. Service concession construction revenue)	**30.0%**	**39.5%**	**44.0%**	**20.4%**	**9.1%**	**10.1%**	**-2.6%**	**10.5%**	**11.8%**
Wind power	125.4%	68.1%	67.8%	34.4%	28.5%	28.7%	8.4%	16.8%	17.8%
Coal power	8.8%	34.3%	31.3%	11.8%	-6.6%	-6.5%	-18.2%	-0.8%	-1.2%
Others	92.7%	23.7%	23.4%	6.5%	36.0%	9.2%	8.9%	7.8%	8.5%
Intersegment revenue	22.7%	193.0%	-19.0%	-21.2%	28.4%	63.3%	14.6%	3.0%	0.0%
Revenue by nature	**22.9%**	**13.9%**	**45.9%**	**13.7%**	**7.0%**	**10.6%**	**-4.8%**	**12.5%**	**8.5%**
Sales of electricity	30.4%	12.4%	32.1%	20.2%	20.8%	18.4%	1.5%	12.4%	14.0%
Sales of steam	33.3%	91.1%	35.0%	2.6%	-14.3%	-7.7%	-10.2%	-5.1%	-2.2%
Service concession construction revenue	6.1%	-59.9%	64.3%	-45.3%	n/a	n/a	n/a	n/a	n/a
Sales of electricity equipment	162.0%	-51.5%	104.5%	10.5%	-19.8%	-54.5%	23.1%	53.9%	0.0%
Sales of coal	n/a	n/a	98.8%	25.4%	-17.4%	-11.4%	-20.7%	0.0%	0.0%
Others	-23.8%	78.1%	-4.8%	2.4%	22.8%	-13.4%	-20.0%	-2.5%	4.7%
EBITDA	32.0%	77.7%	42.0%	24.8%	23.6%	6.7%	11.2%	16.1%	17.4%
Adjusted EBITDA	**22.3%**	**83.3%**	**37.6%**	**24.0%**	**27.8%**	**17.9%**	**11.7%**	**16.6%**	**16.6%**
EBIT	47.0%	155.6%	187.3%	76.2%	48.1%	19.1%	8.5%	27.4%	40.4%
Adjusted EBIT	**8.5%**	**121.7%**	**35.5%**	**21.6%**	**26.1%**	**17.2%**	**9.9%**	**17.4%**	**19.1%**
Pretax profit	-20.3%	215.5%	65.2%	12.4%	1.6%	-3.8%	15.1%	25.9%	22.4%
After tax profit	-13.8%	168.3%	68.2%	19.3%	0.6%	-10.7%	19.7%	24.6%	22.4%
Net profit	56.9%	165.0%	125.8%	30.7%	-1.7%	-21.0%	24.8%	26.2%	27.4%
Recurring net profit	**-7.7%**	**242.1%**	**115.1%**	**15.9%**	**5.6%**	**34.4%**	**9.5%**	**32.5%**	**17.9%**
EPS	n/a	157.9%	55.4%	30.7%	-1.9%	-26.4%	24.8%	26.2%	27.4%
Recurring EPS	**n/a**	**232.9%**	**48.0%**	**15.9%**	**5.4%**	**25.1%**	**9.5%**	**32.5%**	**17.9%**
Margins	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015E**	**2016E**
EBITDA margin	39.4%	50.2%	49.5%	51.3%	58.1%	56.3%	64.3%	67.5%	70.9%
Adjusted EBITDA margin	**33.3%**	**43.7%**	**41.8%**	**43.0%**	**50.4%**	**54.0%**	**61.9%**	**65.2%**	**68.0%**
EBIT margin	22.4%	32.3%	32.0%	32.8%	36.0%	32.5%	36.5%	38.5%	41.4%
Adjusted EBIT margin	**16.2%**	**25.8%**	**24.3%**	**24.5%**	**28.3%**	**30.2%**	**34.0%**	**36.2%**	**38.5%**
Pretax profit margin	9.7%	21.9%	25.2%	23.5%	21.9%	19.1%	22.6%	25.7%	28.2%
After tax profit margin	9.7%	18.6%	21.7%	21.5%	19.8%	16.1%	19.8%	22.3%	24.4%
Net margin	5.3%	10.1%	15.8%	17.2%	15.5%	11.1%	14.2%	16.2%	18.5%
Recurring net margin	**3.1%**	**7.7%**	**11.4%**	**11.0%**	**10.7%**	**13.0%**	**14.6%**	**17.6%**	**18.5%**
Net Interest coverage	2.9	4.4	5.8	5.3	3.9	4.1	3.9	4.2	4.4

Sources: Company, CGIHK Research estimates

Figure 6: Longyuan balance sheet projection

Balance Sheet (RMB m)	2008	2009	2010	2011	2012	2013	2014	2015E	2016E
Non current assets									
PP&E	24,290	37,305	50,642	64,967	73,352	79,594	88,307	100,052	109,991
Investment properties	172	133	101	98	76	20	5	5	5
Lease prepayments payments	557	741	876	1,215	1,417	1,657	1,873	1,873	1,873
Intangible assets	5,083	6,086	7,661	8,163	8,322	8,684	8,530	8,101	7,673
Goodwill	0	0	12	12	12	12	12	12	12
Investment in associates and JV	527	799	1,315	1,554	2,127	2,297	3,602	4,287	4,930
Other assets	350	2,319	3,459	4,962	4,553	4,482	6,282	6,879	6,924
Deferred tax assets	190	205	206	181	194	162	155	155	155
	31,169	47,587	64,271	81,151	90,054	96,908	108,765	121,363	131,561
Current assets									
Inventories	279	333	632	926	816	753	1,017	834	919
Trade and bill receivables	1,241	2,181	3,474	5,430	7,998	6,708	6,411	6,492	6,904
Prepayments and other current assets	1,805	853	1,502	2,899	3,155	2,365	4,072	4,072	4,072
Restricted deposits	500	492	245	32	232	725	440	440	440
Cash	1,055	16,503	4,089	3,708	5,138	2,715	2,389	3,303	2,899
Others	1	5	419	478	448	500	425	425	425
	4,880	20,367	10,362	13,473	17,786	13,766	14,753	15,565	15,657
Total assets	**36,049**	**67,954**	**74,634**	**94,624**	**107,840**	**110,674**	**123,518**	**136,928**	**147,218**
Current liabilities									
Borrowings	4,686	17,087	17,200	19,078	26,170	24,680	36,070	41,670	46,270
Trade and bill payable	2,729	1,943	1,515	1,597	1,261	2,142	1,021	1,736	913
Obligations under finance lease	0	0	0	0	0	0	0	0	0
Other payables	1,918	4,521	6,004	9,004	8,525	9,753	9,039	8,918	9,325
Others	80	140	196	158	119	101	118	118	118
	9,413	23,692	24,915	29,836	36,075	36,676	46,248	52,442	56,626
Non current liabilities									
Borrowings	17,345	16,219	19,975	31,828	32,482	32,961	33,762	37,162	38,562
Deferred income	2,145	2,268	2,225	1,993	1,903	1,876	1,790	1,662	1,535
Others	73	95	104	642	958	1,120	868	868	868
	19,564	18,582	22,304	34,462	35,343	35,957	36,421	39,693	40,965
Equity									
Paid in capital	3,163	7,464	7,464	7,464	8,036	8,036	8,036	8,036	8,036
Reserves	712	14,436	15,810	18,444	21,393	22,872	25,021	27,770	31,304
Attributable to equity owner	3,875	21,900	23,275	25,909	29,429	30,908	33,057	35,807	39,341
Minority interests	3,198	3,780	4,139	4,417	6,992	7,132	7,792	8,987	10,286
	7,073	25,680	27,414	30,325	36,422	38,040	40,849	44,793	49,627
Total equity and liabilities	**36,049**	**67,954**	**74,634**	**94,624**	**107,840**	**110,674**	**123,518**	**136,928**	**147,218**
BVPS (RMB)	-	2.93	3.12	3.47	3.94	3.85	4.11	4.46	4.90

Sources: Company, CGIHK Research estimates

Figure 7: Longyuan cash flow projection and key ratios

Cash Flow Statement (RMB m)	2008	2009	2010	2011	2012	2013	2014	2015E	2016E
Pretax profit	616	1,944	3,211	3,609	3,667	3,529	4,062	5,114	6,260
Income tax	(45)	(236)	(340)	(371)	(471)	(566)	(522)	(690)	(845)
D&A	1,083	1,590	2,236	2,845	3,697	4,391	5,001	5,778	6,556
Interest expense	932	1,024	1,088	1,677	2,551	2,810	2,971	3,557	3,745
Interest income	(37)	(33)	(58)	(110)	(60)	(60)	(84)	(341)	(155)
Share of profit / (loss) of JV and associates	(53)	(105)	(228)	(60)	(140)	(60)	(454)	(684)	(643)
Dividend income	(47)	(16)	(1)	(62)	(46)	(56)	(55)	0	0
Change in working capital	360	(83)	(1,813)	(1,633)	(2,370)	3,085	1,976	568	(1,040)
Others	30	1	(74)	(272)	169	538	(26)	0	0
Operating cash flow	**2,840**	**4,085**	**4,021**	**5,624**	**6,998**	**13,611**	**12,868**	**13,300**	**13,878**
Purchase/(disposal) of PP&E and intangible assets	(11,578)	(16,121)	(17,770)	(13,048)	(13,392)	(10,275)	(18,206)	(17,160)	(15,600)
Acquisition of subsidiaries/disposal of subsidiaries	0	8	(65)	(493)	(847)	(197)	(24)	0	0
Investment in/(disposal of) financial assets, JV & associates	(253)	(340)	(138)	(578)	(912)	(175)	(867)	0	0
Dividend received	96	30	45	161	91	218	67	0	0
Interest received	48	32	58	124	87	86	105	341	155
Others	602	1,235	170	(199)	855	45	(1,921)	0	0
Investing cash flow	**(11,086)**	**(15,156)**	**(17,700)**	**(14,034)**	**(14,117)**	**(10,299)**	**(20,848)**	**(16,819)**	**(15,445)**
Net proceeds from issuance of shares	0	17,022	0	0	2,295	0	0	0	0
Capital contribution - equity owner	1,500	492	126	72	30	41	186	0	0
Capital contribution - minority interest	451	0	0	0	0	0	0	0	0
Proceeds from /(repayment of) borrowings	7,922	10,952	3,677	10,506	8,067	(1,272)	12,028	9,000	6,000
Proceeds from senior perpetual securities	0	0	0	0	2,476	0	0	0	0
Interest paid	(1,119)	(1,567)	(1,319)	(2,094)	(3,025)	(3,251)	(3,376)	(4,088)	(4,255)
Dividend paid to equity owner	0	0	(632)	(403)	(515)	(512)	(382)	(480)	(581)
Others	(310)	(325)	(539)	(444)	(472)	(668)	(801)	0	0
Financing cash flow	**8,444**	**26,575**	**1,313**	**7,637**	**8,856**	**(5,662)**	**7,655**	**4,432**	**1,164**
Net change in cash	198	15,505	(12,365)	(773)	1,736	(2,350)	(326)	914	(404)
Valuation									
PER (recurring) (x)	162.5	48.6	32.2	26.6	24.7	19.3	17.8	14.2	12.1
Dividend yield	0.0%	0.0%	0.9%	1.1%	1.2%	0.8%	1.0%	1.2%	1.5%
PBR (x)	-	2.2	2.0	1.7	1.5	1.5	1.4	1.4	1.3
EV/EBITDA (x)	43.4	24.4	17.2	13.8	11.2	10.5	9.4	8.1	6.9
Ratios									
Net margin	5.3%	10.1%	15.8%	17.2%	15.5%	11.1%	14.2%	16.2%	18.5%
ROE	5.9%	5.3%	6.5%	6.9%	6.5%	8.0%	8.2%	10.1%	11.0%
ROA	0.7%	1.3%	2.0%	2.0%	1.8%	2.2%	2.2%	2.7%	2.9%
Net debt / Equity	290%	64%	120%	156%	146%	142%	164%	168%	164%
Current ratio	0.52	0.86	0.42	0.45	0.49	0.38	0.32	0.30	0.28

Sources: Company, CGIHK Research estimates

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