

Huaneng Renewables

January output +22% YoY due to better demand and lower curtailment

Company Update

What's new

Huaneng Renewables reported January power output data: total monthly output was 2,444 GWh (+11% MoM & +22% YoY), of which 2,342 GWh came from wind (+11% MoM & +22% YoY) and 103 GWh from solar (+7% MoM & +22% YoY).

Comments

January 2017 wind utilization improved by 22% YoY to 228 hours. This is mainly due to strong power demand and curtailment easing. Jilin, Guangxi and Zhejiang delivered the strongest utilization improvement, respectively up 358%/162%/123% YoY. A better macro economy and more working days in January 2018 due to Spring Festival led to stronger power demand which contributed to utilization improvement.

Grid curtailment ratio is 6.6% in January 2018 (13.7% in January 2017, down 7.1ppt). Based on our calculation, among the 41-hour YoY improvement in utilization, 14 hours were contributed by lower curtailment. This improvement followed the trend in the second half of 2017 when an average curtailment of 6.1% was maintained.

Valuation and recommendation

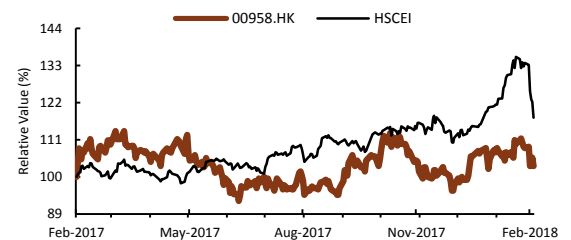
Maintain our 2017/18/19 EPS forecast at Rmb0.29/0.36/0.37. Reiterate BUY rating and TP of HK\$3.35.

Risks

Weak wind resources, curtailment issues.

Maintain BUY

Ticker	00958.HK
CICC investment rating	BUY
Last close	HK\$2.54
CICC target	HK\$3.35
52wk price range	HK\$2.82~2.27
Market cap (bn)	HK\$27
Daily value (mn)	HK\$96.55
Shares outstanding (mn)	10,567
Free float (%)	48
Daily volume (mn sh)	36.78
Business sector	Alternative Energy



(Rmb mn)	2016A	2017E	2018E	2019E
Revenue	9,239	10,200	11,152	12,405
(+/-)	25.6%	10.4%	9.3%	11.2%
Net profit	2,659	3,062	3,782	3,880
(+/-)	43.0%	15.2%	23.5%	2.6%
EPS	0.27	0.29	0.36	0.37
BPS	2.07	2.36	2.68	2.99
DPS	0.04	0.04	0.05	0.06
CPS	0.75	0.81	0.88	0.97
P/E	8.3	7.5	5.6	5.5
P/B	1.1	0.9	0.8	0.7
EV/EBITDA	8.6	7.8	7.1	6.7
Dividend yield	1.7%	2.0%	2.7%	2.7%
ROAA	3.2%	3.5%	3.9%	3.7%
ROAE	14.0%	13.6%	14.2%	12.9%

Source: Wind, Bloomberg, company data, CICC Research

Jun LIU

Analyst
 jun3.liu@cicc.com.cn
 SAC Reg. No.: S0080518010001
 SFC CE Ref: AVM464

Jiani LIU

Associate
 jiani.liu@cicc.com.cn
 SAC Reg. No.: S0080117010012

Chao JI

Analyst
 chao.ji@cicc.com.cn
 SAC Reg. No.: S0080515030001
 SFC CE Ref: BFA993



Financial summary

Financial statement (Rmb mn)	2016A	2017E	2018E	2019E	Financial ratios	2016A	2017E	2018E	2019E
Income statement					Growth ability				
Revenue	9,239	10,200	11,152	12,405	Revenue	25.6%	10.4%	9.3%	11.2%
COGS	-3,651	-3,853	-4,120	-4,620	Operating profit	19.2%	13.4%	12.0%	10.7%
Selling expenses	-403	-443	-471	-522	EBITDA	22.2%	9.3%	9.9%	11.2%
Administrative expenses	-223	-246	-261	-290	Net profit	43.0%	15.2%	23.5%	2.6%
Other ops income (expense)	-375	-392	-395	-439	Profitability				
Operating profit	4,908	5,565	6,231	6,895	Gross margin	60.5%	62.2%	63.1%	62.8%
Finance costs	-2,133	-2,221	-2,118	-2,259	Operating margin	53.1%	54.6%	55.9%	55.6%
Other income (expense)	0	0	0	0	EBITDA margin	90.6%	89.7%	90.2%	90.1%
Profit before income tax	2,910	3,355	4,144	4,665	Net margin	28.8%	30.0%	33.9%	31.3%
Income tax	-202	-232	-287	-700	Liquidity				
Minority interest	-49	-61	-75	-85	Current ratio	0.28	0.42	0.38	0.41
Net profit	2,659	3,062	3,782	3,880	Quick ratio	0.28	0.42	0.38	0.41
EBITDA	8,370	9,147	10,055	11,176	Cash ratio	0.05	0.18	0.15	0.18
Recurrent net income	2,659	3,062	3,782	3,880	Liabilities / assets	75.4%	71.8%	70.5%	69.7%
Balance sheet					Net debt / equity	234.7%	182.9%	166.6%	160.4%
Cash and bank balances	1,665	5,438	5,029	6,485	Return				
Trade and bill receivables	6,051	6,633	7,203	7,647	RoA	3.2%	3.5%	3.9%	3.7%
Inventories	33	36	38	41	RoE	14.0%	13.6%	14.2%	12.9%
Other current assets	947	947	947	947	Per-share data				
Total current assets	8,696	13,055	13,216	15,120	EPS (Rmb)	0.27	0.29	0.36	0.37
Fixed assets and CIP	72,107	74,140	81,026	87,340	BPS (Rmb)	2.07	2.36	2.68	2.99
Intangible assets and others	4,643	4,835	5,249	5,637	DPS (Rmb)	0.04	0.04	0.05	0.06
Total non-current assets	76,749	78,974	86,274	92,977	Cash flow per share (Rmb)	0.75	0.81	0.88	0.97
Total assets	85,445	92,029	99,490	108,097	Valuation				
Short-term borrowings	22,563	23,316	23,728	25,760	P/E	8.3	7.5	5.6	5.5
Trade and bill payables	80	90	95	106	P/B	1.1	0.9	0.8	0.7
Other current liabilities	7,875	7,653	10,683	10,800	EV/EBITDA	8.6	7.8	7.1	6.7
Total current liabilities	30,517	31,059	34,506	36,666	Dividend yield	1.7%	2.0%	2.7%	2.7%
Long-term borrowings	28,372	29,502	30,119	33,168					
Total non-current liabilities	33,933	35,063	35,681	38,729					
Total liabilities	64,451	66,122	70,186	75,395					
Share capital	9,728	11,917	11,917	11,917					
Retained profit	10,409	13,072	16,394	19,707					
Equity	20,137	24,989	28,311	31,624					
Total liabilities & equity	85,445	92,029	99,490	108,097					
Cash flow statement									
Pretax profit	2,910	3,355	4,144	4,665					
Depreciation & amortization	3,462	3,582	3,824	4,281					
Change in working capital	-844	-352	-483	-241					
Others	1,810	1,978	1,800	1,530					
Cash flow from operations	7,338	8,563	9,285	10,235					
Capital expenditure	-7,893	-6,071	-7,828	-10,717					
Others	524	14	34	32					
Cash flow from investing	-7,370	-6,057	-7,794	-10,685					
Equity financing	-19	2,189	0	0					
Bank borrowings	632	1,883	1,029	5,081					
Others	-2,471	-2,804	-2,930	-3,174					
Cash flow from financing	-1,858	1,267	-1,901	1,906					
Foreign exchange gain (loss)	85	0	0	0					
Net changes in cash	-1,804	3,773	-410	1,456					

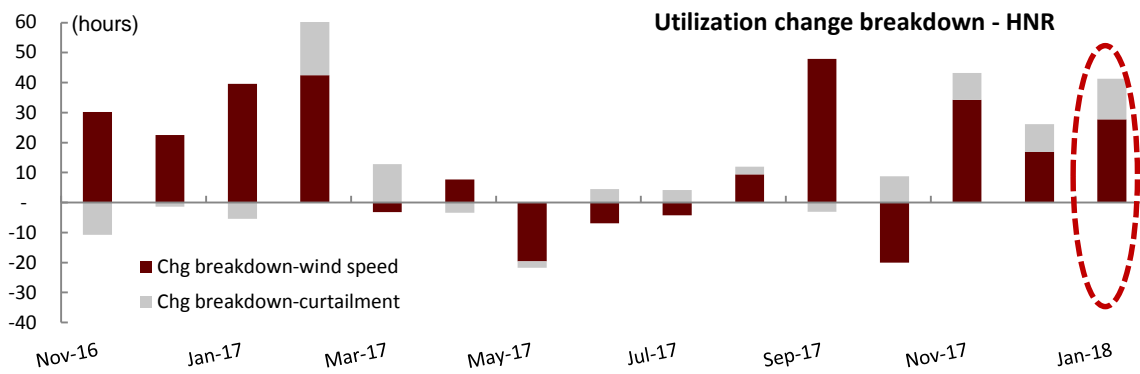
Source: Company data, CICC Research

Company description

Huaneng Renewables Corporation Ltd., a subsidiary of Huaneng Group, is involved in the investment, construction and operation of new energy projects. It focuses on developing and operating wind power projects and promoting synergistic growth of solar and other renewable energies. With operations in scaled as well as distributed wind farms, the utilization of onshore and offshore wind resources, attention to both development and acquisitions, the company says it aims to continuously increase its profitability, competitiveness and sustainable development capabilities.

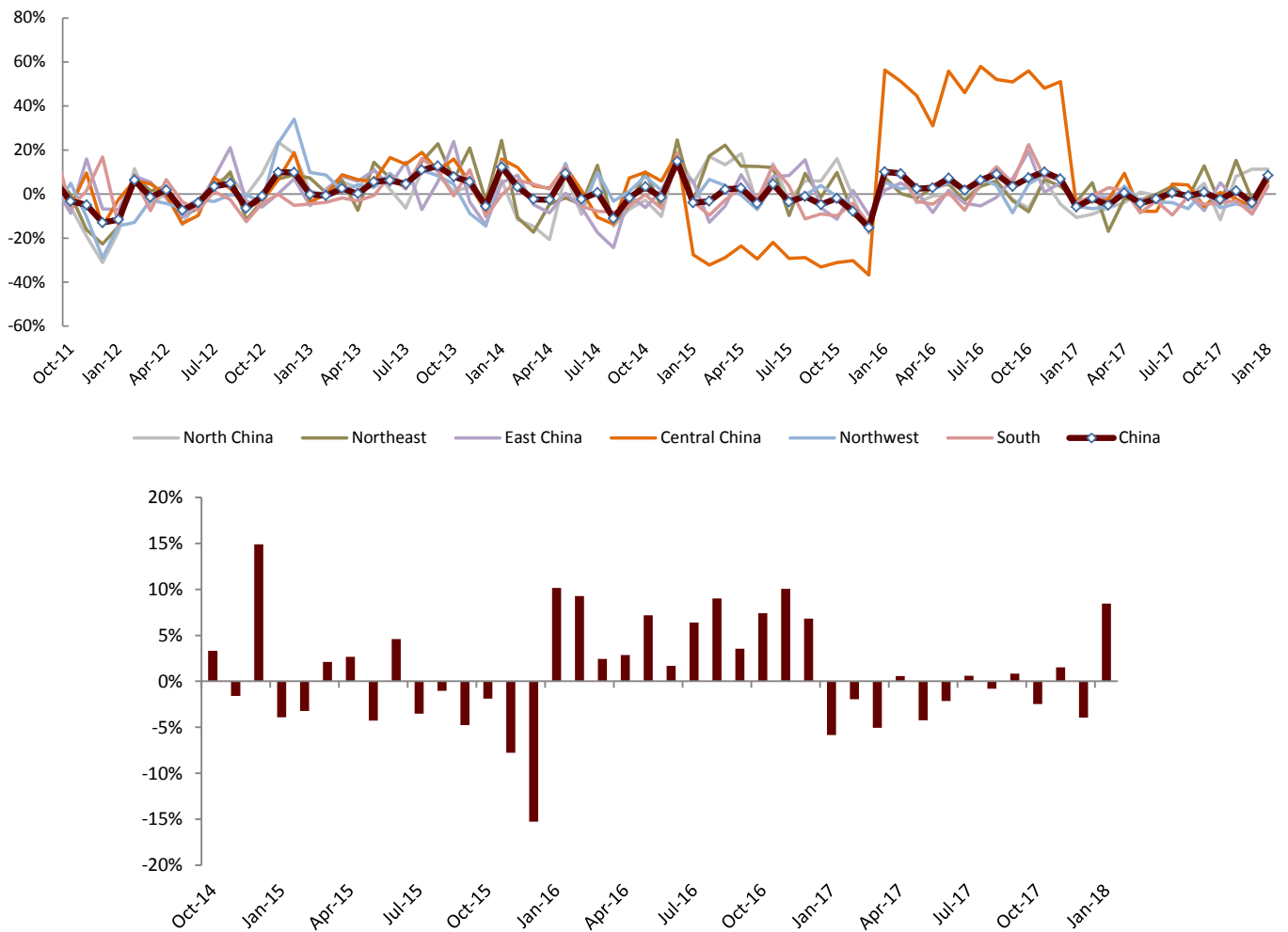


Figure 1: HNR utilization change breakdown



Source: Company data, CICC Research

Figure 2: Wind speed



Source: Bloomberg, CICC Research

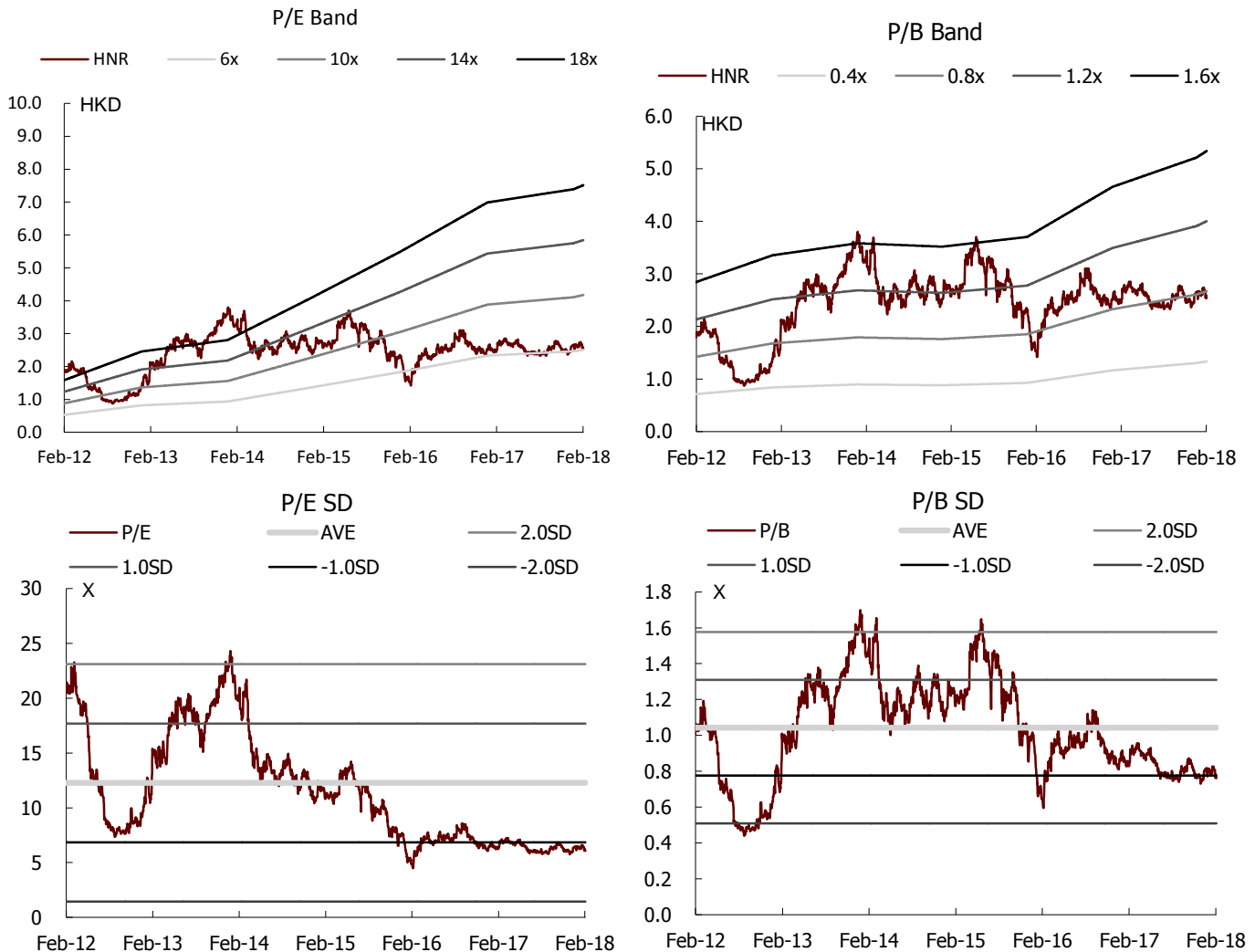


Figure 3: Peer table

Company	Ticker	Price	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	P/E 2016A (x)	P/E 2017E (x)	P/E 2018E (x)	P/B 2016A (x)	P/B 2017E (x)	P/B 2018E (x)	EV/ Ebitda 2016A	EV/ Ebitda 2017E	ROE 2016A (%)	ROE 2017E (%)
Adjusted sector avg					10.4	9.8	8.2	1.0	1.0	0.9	9.2	8.0	11.6	10.0
Wind turbine and component manufacturer														
Xinjiang Gold-H	2208 HK	10.92	7,793	14.3	8.9	11.0	9.0	1.3	1.6	1.5	14.0	17.9	13.5	15.1
Xinjiang Gold-A	002202 CH	14.90	7,782	100.3	13.6	16.8	13.7	2.0	2.4	2.2	14.0	17.9	13.5	15.1
China High-Speed	658 HK	11.82	2,472	11.3	14.1	15.8	15.7	1.4	1.3	1.2	8.7	9.9	10.5	8.6
Sinovel Wind-A	601558 CH	1.27	1,216	9.3	N/A	N/A	N/A	4.9	N/A	N/A	(3.3)	N/A	(80.0)	N/A
Vestas Wind Syst	VWS DC	428.90	15,165	148.0	20.4	14.9	13.6	3.8	3.4	4.5	5.5	6.2	28.4	N/A
Gamesa	GAM SM	12.09	10,058	33.6	N/A	20.2	14.7	1.3	1.2	1.2	N/A	6.9	N/A	N/A
Nordex Se	NDX1 GY	9.80	1,161	5.9	9.5	15.2	N/A	1.0	0.9	0.9	4.4	4.8	6.3	N/A
Wind farm operators														
Huaneng Renewa-	958 HK	2.54	3,433	8.4	8.3	7.5	5.6	1.1	0.9	0.8	8.6	7.8	14.0	13.6
Huadian Fuxin -H	816 HK	1.81	1,946	1.5	6.4	5.9	5.0	0.6	0.6	0.5	8.9	8.8	11.1	10.1
Concord Ne	182 HK	0.34	377	0.7	5.2	4.0	3.1	0.4	0.4	0.4	8.1	10.0	8.2	N/A
Cgn New Energy H	1811 HK	0.98	538	0.5	6.8	9.0	9.0	0.7	0.7	0.7	8.5	9.0	11.0	11.0
BJ ENT CLEAN	1250 HK	0.23	1,836	5.3	15.4	10.7	7.3	2.0	1.8	1.5	20.6	7.9	24.9	19.6
China Datang C-H	1798 HK	0.90	837	0.4	26.7	8.2	6.2	0.6	0.5	0.4	11.3	9.1	4.8	N/A
China Suntien-H	956 HK	1.72	817	2.3	9.5	6.0	5.2	0.6	0.6	0.5	12.0	9.4	9.9	9.6
Jncec-H	579 HK	1.90	1,670	1.3	5.4	5.2	5.1	0.7	0.6	0.6	6.5	5.9	13.0	12.5
C P New Energy	735 HK	4.12	625	0.6	9.7	N/A	N/A	0.5	0.5	0.5	8.3	8.5	3.6	4.9

Source: Bloomberg, CICC Research. Companies highlighted in grey are covered by CICC.

Figure 4: Historical P/E and P/B bands



Source: Bloomberg, CICC Research



Important legal disclosures

General Disclosures

This report has been produced by China International Capital Corporation Hong Kong Securities Limited (CICCHK). This report is based on information available to the public that we consider reliable, but CICCHK and its associated company(ies)(collectively, hereinafter "CICC") do not represent that it is accurate or complete. The information and opinions contained herein are for investors' reference only and do not take into account the particular investment objectives, financial situation, or needs of any client, and are not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned. Under no circumstances shall the information contained herein or the opinions expressed herein constitute a personal recommendation to anyone. Investors should make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs. CICC does not provide tax, accounting, or legal advice to our clients, and all investors are advised to consult with their tax, accounting, or legal advisers regarding any potential investment. Neither CICC nor its related persons shall be liable in any manner whatsoever for any consequences of any reliance thereon or usage thereof.

The performance information (including any expression of opinion or forecast) herein reflect the most up-to-date opinions, speculations and forecasts at the time of the report's production and publication. Such opinions, speculations and forecasts are subject to change and may be amended without any notification. At different periods, CICC may release reports which are inconsistent with the opinions, speculations and forecasts contained herein.

The analysts named in this report may have from time to time discussed with our clients, including CICC salespeople, traders, and other professionals, or may discuss in this report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analysts' published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analysts' fundamental equity rating for such stocks as described herein.

CICC's salespeople, traders, and other professionals may provide oral or written market commentary or trading ideas that may be inconsistent with, and reach different conclusions from, the recommendations and opinions presented in this report. Such ideas or recommendations reflect the different assumptions, views and analytical methods of the persons who prepared them, and CICC is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this report. CICC's asset management area, proprietary trading desks and other investing businesses may make investment decisions that are inconsistent with the recommendations or opinions expressed in this report.

Unless stated otherwise, any performance data quoted represents past performance. Past performance is not a indicator of future performance. No representation or warranty is made that any returns indicated will be achieved. Certain assumptions may have been made in this analysis which have resulted in any returns detailed herein. Changes to the assumptions may have a material impact on any returns detailed.

To the extent this material is provided to any recipient, this material is provided solely on the basis that the recipient has the capability to independently evaluate investment risk and is exercising independent judgment in evaluating investment decisions in that its investment decisions will be based on its own independent assessment of the opportunities and risks presented by a potential investment, market factors and other investment considerations.

This report is distributed in Hong Kong by CICCHK, which is regulated by the Securities and Futures Commission. Queries concerning CICC Research from readers in Hong Kong should be directed to our Hong Kong sales representatives. The CE numbers of SFC licensed authors of this report are disclosed by the authors' names on the cover page.

This report is distributed in Singapore only to accredited investors and/or institutional investors, as defined in the Securities and Futures Act, by China International Capital Corporation (Singapore) Pte. Limited ("CICCSG"), which is regulated by the Monetary Authority of Singapore. By virtue of distribution by CICCSG to these categories of investors in Singapore, disclosure under Section 36 of the Financial Adviser Act (which relates to disclosure of a financial adviser's interest and/or its representative's interest in securities) is not required. Recipients of this report in Singapore should contact CICCSG in respect of any matter arising from or in connection with this report. This report is not intended for and should not be distributed or passed on, directly or indirectly, to any other person in the jurisdiction of Singapore.

This report is distributed in the United Kingdom by China International Capital Corporation (UK) Limited ("CICCUK"), which is authorised and regulated by the Financial Conduct Authority. The investments and services to which this report relates are only available to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. This report is not intended for retail clients. In other EEA countries, the report is issued to persons regarded as professional investors (or equivalent) in their home jurisdiction.

This report will be made available in other jurisdictions pursuant to the applicable laws and regulations in those particular jurisdictions.

Continued on next page



Special Disclosures

CICC does and seeks to do business with companies covered in CICC Research. As a result, investors should be aware that CICC and/or its associated persons may have a conflict of interest that could affect the objectivity of this report.

Disclosures in relation to the Companies contained this report could be found at http://research.cicc.com/disclosure_en, or in the published latest company-specific research.

Distribution of ratings is available at <http://research.cicc.com/en/disclosure/general.xhtml>.

Explanation of stock ratings: "BUY" indicates analyst perceives absolute return of 20% or more over the next 6~12 months; "HOLD" between +20% and -10%; "SELL" -10% and below. Asterisk denotes coverage initiation or resumption.

Explanation of sector ratings: Analyst expects a sector rated "OVERWEIGHT" to outperform the market by 10% or more over the next 6~12 months, "EQUAL-WEIGHT" to end up between 10% below and 10% above the market, and "UNDERWEIGHT" to fall behind the market by 10% or more, over the next 6~12 months.

Copyright of this report belongs to CICC. Any form of unauthorized distribution, reproduction, publication, release or quotation is prohibited without CICC's written permission.

V160908

Editing: Wanbo ZHOU, Jim SATKO



Beijing

China International Capital Corporation Limited

28th Floor, China World Office 2
1 Jianguomenwai Avenue
Beijing 100004, P.R. China
Tel: (86-10) 6505-1166
Fax: (86-10) 6505-1156

Shenzhen

China International Capital Corporation Limited – Shenzhen Branch

#2503, 25th Floor, China Merchants Bank Tower
7088 Shennan Boulevard, Futian District
Shenzhen 518040, P.R. China
Tel: (86-755) 8319-5000
Fax: (86-755) 8319-9229

Shanghai

China International Capital Corporation Limited – Shanghai Branch

32nd Floor Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, P.R. China
Tel: (86-21) 5879-6226
Fax: (86-21) 5888-8976

Singapore

China International Capital Corporation (Singapore) Pte. Limited

#39-04, 6 Battery Road
Singapore 049909
Tel: (65) 6572-1999
Fax: (65) 6327-1278

Hong Kong

China International Capital Corporation (Hong Kong) Limited

29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong
Tel: (852) 2872-2000
Fax: (852) 2872-2100

United Kingdom

China International Capital Corporation (UK) Limited

Level 25, 125 Old Broad Street
London EC2N 1AR, United Kingdom
Tel: (44-20) 7367-5718
Fax: (44-20) 7367-5719

Beijing Jianguomenwai Avenue Branch

1st Floor, Capital Tower
6A Jianguomenwai Avenue
Beijing 100022, P.R. China
Tel: (86-10) 8567-9238
Fax: (86-10) 8567-9235

Shanghai Huangpu District Hubin Road Branch

18th Floor, 3 Corporate Avenue, No.168
Hubin Road, Huangpu District,
Shanghai 200021, P.R. China
Tel: (86-21) 6386-1195
Fax: (86-21) 6386-1180

Nanjing Hanzhong Road Branch

Section C, 30th Floor, Asia Pacific Tower
2 Hanzhong Road, Gulou District
Nanjing 210005, P.R. China
Tel: (86-25) 8316-8988
Fax: (86-25) 8316-8397

Xiamen Lianyue Road Branch

4th Floor, Office Building, Paragon Center
1 Lianyue Road, Siming District
Xiamen 361012, P.R. China
Tel: (86-592) 515-7000
Fax: (86-592) 511-5527

Chongqing Honghu Road (West) Branch

1st & 10th Floors, Ourui Lanjue Center
Block 9, Honghu Road (W), New North District
Chongqing 401120, P.R. China
Tel: (86-23) 6307-7088
Fax: (86-23) 6739-6636

Foshan Jihua 5th Road Branch

12th Floor, Trend International Business Building
2 Jihua 5th Road, Chancheng District
Foshan 528000, P.R. China
Tel: (86-757) 8290-3588
Fax: (86-757) 8303-6299

Ningbo Yangfan Road Branch

11th Floor, Building Five, 999 Yangfan Road
Hi-tech Industrial Development Zone
Ningbo 315103, P.R. China
Tel: (86-574) 8907-7288
Fax: (86-574) 8907-7328

Beijing Kexueyuan South Road Branch

Room 1311, Block B, Raycom Infotech Park
2 Kexueyuan South Road, Haidian District
Beijing 100022, P.R. China
Tel: (86-10) 8286-1086
Fax: (86-10) 8286 1106

Shenzhen Fuhuayilu Branch

Room 201, Annex Building
Shenzhen Duty Free Commercial Tower
6 Fuhua 1st Road, Futian District
Shenzhen 518048, P.R. China
Tel: (86-755) 8832-2388
Fax: (86-755) 8254-8243

Guangzhou Tianhe Road Branch

40th Floor, Teemtower
208 Tianhe Road
Guangzhou 510620, P.R. China
Tel: (86-20) 8396-3968
Fax: (86-20) 8516-8198

Wuhan Zhongnan Road Branch

4301-B, Poly Plaza
99 Zhongnan Road, Wuchang District
Wuhan 430070, P.R. China
Tel: (86-27) 8334-3099
Fax: (86-27) 8359-0535

Tianjin Nanjing Road Branch

10th Floor, Tianjin Global Trading Center
219 Nanjing Road, Heping District
Tianjin 300051, P.R. China
Tel: (86-22) 2317-6188
Fax: (86-22) 2321-5079

Yunfu Xinxing Dongdi North Road Branch

2nd Floor, Service Building C1, Wens Science &
Technology Garden, Dongdi North Road
Xincheng Town, Xinxing County
Yunfu 527499, P.R. China
Tel: (86-766) 2985-088
Fax: (86-766) 2985-018

Fuzhou Wusi Road Branch

38th Floor, Henglicheng Office Building
No.128 Wusi Road, Gulou District
Fuzhou 350001, P.R. China
Tel: (86-591) 8625 3088
Fax: (86-591) 8625 3050

Shanghai Pudong New District Century Avenue Branch

Unit 4609-14, 46th Floor, Phase II Shanghai IFC, No.8
Century Avenue, China (Shanghai) Pilot Free Trade
Zone, Shanghai, 200120, P.R. China
Tel: (86-21) 5359-9800
Fax: (86-21) 2057-9488

Hangzhou Jiaogong Road Branch

1st Floor, Euro American Center
18 Jiaogong Road
Hangzhou 310012, P.R. China
Tel: (86-571) 8849-8000
Fax: (86-571) 8735-7743

Chengdu Binjiang Road (East) Branch

1st & 16th Floors, Shangri-La Center
Block 9B, Binjiang Road (East)
Chengdu 610021, P.R. China
Tel: (86-28) 8612-8188
Fax: (86-28) 8444-7010

Qingdao Middle Hongkong Road Branch

11th Floor, Shangri-La Center
Block 9, Hongkong Road (M), South District
Qingdao 266071, P.R. China
Tel: (86-532) 6670-6789
Fax: (86-532) 6887-7018

Dalian Gangxing Road Branch

16th Floor, Wanda Center
6 Gangxing Road, Zhongshan District
Dalian 116001, P.R. China
Tel: (86-411) 8237-2388
Fax: (86-411) 8814-2933

Changsha Chezhan Road (North) Branch

3rd Floor, Annex Building, Securities Tower
459 Chezhan Road (North), Furong District
Changsha 410001, P.R. China
Tel: (86-731) 8878-7088
Fax: (86-731) 8446-2455

Xi'an Yanta Branch

21th Floor, Capitaland West Tower,
No.64 Second Ring South Road West Section
Yanta District, Xi'an 710065, P.R. China
Tel: (+86-29) 8648-6888
Fax: (+86-29) 8648-6868

