

2018年2月12日

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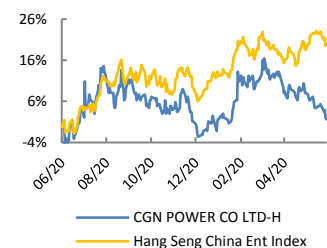
境内扩股

CGN POWER CO LTD-H (01816 HK)

Market Data: Feb 9, 2018

Closing Price (HK\$)	2.00
Price Target (HK\$)	2.30
HSCEI	11,902
HSCCI	4,322
52-week High/Low (HK\$)	2.53/1.98
Market Cap (USD Mn)	12,061
Market Cap (HK\$ Mn)	90,898
Shares Outstanding (Mn)	45,449
Exchange Rate (RMB-HK\$)	1.18

Price Performance Chart:



Source: Bloomberg

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Related Reports

"CGN POWER (1816:HK)_ Critical mass" Dec 18, 2017

Financial summary and valuation

	2015	2016	2017E	2018E	2019E
Revenue (Rmbm)	23,263	32,890	44,456	50,243	54,568
YoY (%)	11.9	41.4	35.2	13.0	8.6
Net income (Rmbm)	6,593.6	7,286.9	9,857.3	10,307.2	11,372.3
YoY (%)	15.4	10.5	35.3	4.6	10.3
EPS (Rmb)	0.15	0.16	0.22	0.23	0.25
Diluted EPS (Rmb)	0.15	0.16	0.22	0.23	0.25
ROE (%)	11.7	11.1	16.5	15.7	15.3
Debt/asset (%)	63.9	71.5	70.6	69.5	67.3
Dividend Yield (%)	2.8	2.9	4.1	4.3	4.8
PE (x)	11.9	10.8	8.0	7.6	6.9
PB (x)	1.0	1.0	0.8	0.7	0.7
EV/Ebitda (x)	14.1	14.7	10.0	9.5	9.0

中广核电力公告称公司计划发行不超过 50.5 亿 A 股，即不超过本公司发行后总股本的 10%。考虑到目前 A 股发行完成时间尚未确定，我们暂未调整模型。我们维持 EPS 预测如下：2017 年 0.22 元（同比增长 37.5%），2018 年 0.23 元（同比增长 4.5%），2019 年 0.25 元（同比增长 8.7%）。我们上调目标价至 2.3 港币。现价距目标价存在 15% 上涨空间，上调至增持。

计划发行 A 股。公司所募集的资金扣除发行费用后，将主要用于核电站建设及补充流动资金。项目建成投产后，本公司核电机组的总装机容量将增加 4.5GW。中国另一核电运营商，A 股上市的中核集团（601985SH-买入）目前动态估值 17 倍 PE，总装机量 14.3GW。而中广核电力动态估值约为 7.5 倍 PE，总装机量 21.5GW。我们认为 A 股上市将会带来一定的估值提升效应。考虑到目前 A 股发行完成时间尚未确定，我们暂时维持此前 EPS 预测。

核电审批有望重启。目前我国核电审批已暂停两年。根据“核电十三五”目标指引，截止 2020 年底中国核电装机达到 58GW，而截止 2017 年底中国投运核电装机仅为 35.8GW，因此我们认为 2018 年核电审批有望再次重启。我们认为中广核电力的陆丰 1 号及 2 号机组，防城港 5 号和 6 号机组有望率先获得审批。

上调至增持。我们维持 EPS 预测如下：2017 年 0.22 元（同比增长 37.5%），2018 年 0.23 元（同比增长 4.5%），2019 年 0.25 元（同比增长 8.7%）。我们上调目标价至 2.3 港币。现价距目标价存在 15% 上涨空间，上调至增持。

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CGN Power announced that the company plans to issue up to 5bn A-shares, representing less than 10% of the firm's total share capital after the issuance. Considering the time for completion of the A share offering is not determined at present, we maintain our EPS forecast at Rmb0.22 for 17E (+37.5% YoY), at Rmb0.23 for 18E (+4.5% YoY) and Rmb0.25 for 19E (+8.7% YoY). To reflect our expectation that the announcement of the plan will drive the firm's valuation higher, we revise up our target price from HK\$2.20 to HK\$2.30. With 15.0% upside, we upgrade to Outperform.

Potential A-share offering. The company plans to use proceeds from the issue to construct nuclear power units: the Yangjiang Units 5 and 6 and Fangchenggang Units 3 and 4, as well as to replenish working capital. Installed operating capacity will rise 4.5GW after the completion of the new units. China National Nuclear Corporation (CNNC), the country's other large nuclear power operator, has 14.3GW in nuclear power capacity by end-2017, against CGN Power's 21.5GW. CNNC, listed on the A-share market, is trading at 19.5x 18F PE, based on Wind consensus forecasts, while CGN Power is trading at 7.5x 18E PE in Hong Kong. Thus, we believe the A-share issuance will benefit CGN Power's valuation. The validity period for the completion of the plan is 12 months from approval at an extraordinary general meeting (EGM) of the firm's shareholders, an H-share shareholders' class meeting and a domestic shareholders' class meeting. Considering the time for completion of the A-share offering is not yet determined, we maintain our previous EPS forecasts.

Possible approval for new capacity. Approvals of new nuclear power capacity in China remain on hold, after two years of suspension. Given a 2020 target for installed nuclear capacity of 58GW under the country's current five-year plan, and capacity as at end-2017 at just 35.8GW, we believe the government may begin approving new nuclear power stations over 2018. We believe CGN Power projects, including the Lufeng Unit 1 and 2 and Fangchenggang Units 5 and 6, are likely to be approved within the year.

Upgrade to Outperform. We maintain our EPS forecasts at Rmb0.22 for 17E (+37.5% YoY), at Rmb0.23 for 18E (+4.5% YoY) and Rmb0.25 for 19E (+8.7% YoY). We revise up our target price from HK\$2.20 to HK\$2.30, representing 8.5x 18E PE and 0.8x 18E PB. With 15.0% upside, we upgrade to Outperform.

Fig1: Project update

Project	Status as of October 2016	FCD	COD	Capacity (MW)	Tariff with VAT 2014	Equity %	Technology	Generation	Location
Consolidated Subsidiaries									
Daya Bay Unit 1	Operating	1987.8	1994.2	984	0.42	75%	M310	Second Plus	Guangdong
Daya Bay Unit2	Operating	1987.8	1994.5	984	0.42	75%	M310	Second Plus	Guangdong
Ling'ao Unit 1	Operating	1997.5	2002.5	990	0.43	100%	M310	Second Plus	Guangdong
Ling'ao Unit 2	Operating	1997.1	2003.1	990	0.43	100%	M310	Second Plus	Guangdong
Lingdong Unit1	Operating	2005.1	2010.9	1,087	0.43	93%	CPR1000	Second Plus	Guangdong
Lingdong Unit2	Operating	2006.6	2011.8	1,087	0.43	93%	CPR1000	Second Plus	Guangdong
Yangjiang Unit 1	Operating	2008.1	2014.3	1,086	0.43	78%	CPR1000	Second Plus	Guangdong
Yangjiang Unit 2	Operating	2009.6	2015.6	1,086	0.43	78%	CPR1000	Second Plus	Guangdong
Yangjiang Unit 3	Operating	2010.1	2016.1	1,086	0.43	78%	CPR1000	Second Plus	Guangdong
Yangjiang Unit 4	Operating	2012.1	2017.3	1,086	0.43	78%	CPR1000	Second Plus	Guangdong
Yangjiang Unit 5	Under construction	2009.9	2018.10	1,086	0.43	78%	ACPR1000	Third	Guangdong
Yangjiang Unit 6	Under construction	2009.1	2019.10	1,086	0.43	78%	ACPR1000	Third	Guangdong
Taishan Unit 1 *	Under construction	2009.1	2017.12	1,750	0.43	51%	EPR	Third	Guangdong
Taishan Unit 2 *	Under construction	2010.4	2018.06	1,750	0.43	51%	EPR	Third	Guangdong
Fangcheng Unit 1 **	Operating	2010.7	2016.1	1,086	0.4207	61%	CPR1000	Second Plus	Guangxi
Fangcheng Unit 2 **	Operating	2010.12	2016.10	1,086	0.4207	61%	CPR1000	Second Plus	Guangxi
Fangcheng Unit 3 **	Under construction	2015.12	2022	1,180	0.414	61%	Hualong One	Third	Guangxi
Fangcheng Unit 4 **	Under construction	2016.12	2022	1,180	0.414	61%	Hualong One	Third	Guangxi
Fangcheng Unit 5 **	Plan to start	-	-	1,250	0.414	61%	Hualong One	Third	Guangxi
Fangcheng Unit 6 **	Plan to start	-	-	1,250	0.414	61%	Hualong One	Third	Guangxi
Lufeng Unit 1 **	Plan to start	-	-	1,250	0.43	100%	AP1000	Third	Guangdong
Lufeng Unit 2 **	Plan to start	-	-	1,250	0.43	100%	AP1000	Third	Guangdong
Lufeng Unit 3 **	Plan to start	-	-	1,250	0.43	100%		Third	Guangdong
Lufeng Unit 4 **	Plan to start	-	-	1,250	0.43	100%		Third	Guangdong
Lufeng Unit 5 **	Plan to start	-	-	1,250	0.43	100%		Third	Guangdong
Lufeng Unit 6 **	Plan to start	-	-	1,250	0.43	100%		Third	Guangdong

* Acquired in March, 2015; ** May acquire in mid-2016

Ningde Nuclear has been changed from a joint venture to a subsidiary since 1 Jan, 2017

Ningde Unit 1	Operating	Feb 2008	Apr 2013	1,089	0.43	32%	CPR1000	Second Plus	Fujian
Ningde Unit 2	Operating	Jan 2008	May 2014	1,089	0.43	32%	CPR1000	Second Plus	Fujian
Ningde Unit 3	Operating	Jan 2010	Jun 2015	1,089	0.43	32%	CPR1000	Second Plus	Fujian
Ningde Unit 4	Operating	Sep 2010	Jul 2016	1,089	0.43	32%	CPR1000	Second Plus	Fujian
Ningde Unit 5	Plan to start	Apr 2016	Jan 2021	1,089	0.43	32%	Hualong One	Third	Fujian
Ningde Unit 6	Plan to start	Apr 2017	Jan 2022	1,089	0.43	32%	Hualong One	Third	Fujian

Associate Company

Hongyanhe Unit 1	Operating	Aug 2007	Jun 2013	1,119	0.4142	38%	CPR1000	Second Plus	Liaoning
Hongyanhe Unit 2	Operating	Mar 2008	May 2014	1,119	0.4142	38%	CPR1000	Second Plus	Liaoning
Hongyanhe Unit 3	Operating	May 2009	Aug 2015	1,119	0.4142	38%	CPR1000	Second Plus	Liaoning
Hongyanhe Unit 4	Operating	Aug 2009	Jun 2016	1,119	0.4142	38%	CPR1000	Second Plus	Liaoning
Hongyanhe Unit 5	Under construction	Mar 2015	Jan 2020	1,119	0.4142	38%	ACPR1000	Third	Liaoning
Hongyanhe Unit 6	Under construction	Jul 2015	Jan 2020	1,119	0.4142	38%	ACPR1000	Third	Liaoning

Source: Company, SWS Research

APPENDIX

Consolidated Income Statement

Rmbm	2015	2016	2017E	2018E	2019E
Revenue	23,263	32,890	44,456	50,243	54,568
Cost of Sales	11,742	18,096	22,616	25,565	27,707
Gross Profit	11,133	14,357	21,191	23,945	26,064
Other Income	1,754	1,658	1,656	1,694	1,698
Distribution expenses	2	100	157	186	205
Administrative expenses	1,681	2,259	2,259	2,554	2,774
EBITDA	15,531	18,388	27,835	30,787	33,313
EBIT	12,159	13,661	21,328	23,374	25,285
Finance Costs	2,970	4,083	5,396	6,308	6,270
Profit before tax	9,189	9,577	15,932	17,066	19,014
Income tax expense	1,116	653	1,469	1,488	1,824
Minority interests	1,479	1,638	4,606	5,271	5,818
Profit for equity holders	6,594	7,287	9,857	10,307	11,372

Source: SWS Research

Consolidated cash Flow Statement

Rmbm	2015	2016	2017E	2018E	2019E
Profit before taxation	9,189	9,577	15,932	17,066	19,014
Plus: Depr. and amortisation	3,372	4,727	6,507	7,413	8,028
Finance cost	2,970	4,083	5,396	6,308	6,270
Losses from investments	-1,882	-1,077	-897	-1,066	-1,137
Change in working capital	-2,962	1,260	8,629	99	-371
Others	877	1,232	1,212	1,178	1,334
CF from operating activities	10,786	16,753	39,756	29,510	31,315
CAPEX	-28,450	-47,637	-33,656	-26,252	-21,646
Other CF from investing activities	7,778	28,394	-1,235	-1,198	-1,193
CF from investing activities	-20,672	-19,243	-34,891	-27,450	-22,839
Equity financing	2,099	1,142	0	0	0
Net change in liabilities	548	10,388	7,698	10,275	-615
Dividend and interest paid	-4,455	-4,684	-3,253	-3,401	-3,753
Other CF from financing activities	-7,291	-7,434	-5,396	-6,308	-6,270
CF from financing activities	-10,053	-588	-950	566	-10,638
Net cash flow	-19,939	-3,078	3,915	2,626	-2,163

Source: SWS Research

Consolidated Balance Sheet

Rmbm	2015	2016	2017E	2018E	2019E
Current Assets	26852	43825	44039	51511	52469
Bank balances and cash	7179	8457	12371	14997	12834
Trade and other receivables	6647	14722	8826	9763	10463
Inventories	10790	13138	20635	24544	26964
Other current assets	2235	7508	2208	2208	2208
Long-term investment	11877	12037	13633	15361	17155
PP&E	168647	216509	243814	262833	276651
Intangible and other assets	10414	15263	15642	15999	16333
Total Assets	217801	287634	317128	345704	362609
Current Liabilities	25291	65168	53449	58990	62782
Borrowings	7537	20807	7764	8288	8428
Trade and other payables	9495	27377	38387	44128	47682
Other current liabilities	8259	16984	7298	6574	6672
Long-term liabilities	113801	140567	170570	181428	181104
Total Liabilities	139092	205735	224019	240418	243886
Minority Interests	22073	25364	29970	35241	41059
Shareholder Equity	56637	56535	63139	70045	77664
Share Capital	45449	45449	45449	45449	45449
Reserves	11188	11086	17690	24596	32216
Equity attributable	56637	56535	63139	70045	77664
Total Liabilities and equity	217801	287634	317128	345704	362609

Source: SWS Research

Key Financial Ratios

	2015	2016	2017E	2018E	2019E
Ratios per share (Rmb)					
Earnings per share	0.15	0.16	0.22	0.23	0.25
Diluted earnings per share	0.15	0.16	0.22	0.23	0.25
Operating CF per share	0.45	0.42	0.77	0.60	0.50
Dividend per share	0.05	0.05	0.07	0.07	0.08
Net assets per share	1.73	1.80	2.05	2.32	2.61
Key Operating Ratios(%)					
ROIC	5.9	5.2	7.3	7.4	7.5
ROE	11.7	11.1	16.5	15.7	15.3
Gross profit margin	47.9	43.7	47.7	47.7	47.8
EBITDA Margin	66.8	55.9	62.6	61.3	61.0
EBIT Margin	52.3	41.5	48.0	46.5	46.3
Growth rate of Revenue(YoY)	11.9	41.4	35.2	13.0	8.6
Growth rate of Profit(YoY)	15.4	10.5	35.3	4.6	10.3
Debt-to-asset ratio	63.9	71.5	70.6	69.5	67.3
Turnover rate of net assets	0.3	0.4	0.5	0.5	0.5
Turnover rate of total assets	0.1	0.1	0.1	0.1	0.2
Effective tax rate (%)	16.2	12.1	9.2	8.7	9.6
Dividend yield (%)	2.8	2.9	4.1	4.3	4.8
Valuation Ratios (X)					
P/E	11.9	10.8	8.0	7.6	6.9
P/B	1.0	1.0	0.8	0.7	0.7
EV/Sale	9.4	8.2	6.3	5.8	5.5
EV/EBITDA	14.1	14.7	10.0	9.5	9.0

Source: SWS Research

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Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

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