2018 年 4 月 27 日

买入

上调

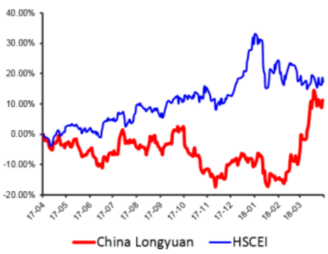
再上台阶

CHINA LONGYUAN POWER GROUP-H (00916 HK)

Market Data: April 26, 2018

Closing Price (HK$)	6.96
Price Target (HK$)	9.10
HSCEI	11,949
HSCCI	4,424
52-week High/Low (HK$)	7.05/5.02
Market Cap (USD Mn)	7,125
Market Cap (HK$ Mn)	55,933
Shares Outstanding (Mn)	8,036
Exchange Rate (RMB-HK$)	1.24

Price Performance Chart:



Source: Bloomberg

Analyst
Vincent Yu
A0230513070005 BAM599
yuwj@swsresearch.com

Related Reports

"Longyuan Power (916:HK) – Payments pending " Mar 13, 2018

Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Revenue (Rmbm)	22,304	24,592	27,291	29,101	30,833
YOY (%)	13.3	10.3	11.0	6.6	6.0
Net income (Rmbm)	3415.4	3688.1	4934.3	5465.3	5875.4
YOY (%)	18.7	8.0	33.8	10.8	7.5
EPS (Rmb)	0.42	0.46	0.61	0.68	0.73
Diluted EPS (Rmb)	0.42	0.46	0.61	0.68	0.73
ROE (%)	9.4	8.5	10.0	10.2	10.0
Debt/asset (%)	65.5	63.4	61.9	60.5	65.3
Dividend Yield (%)	1.5	1.6	2.2	2.4	2.6
P/E (x)	13.2	12.2	9.1	8.3	7.7
P/B (x)	1.0	0.9	0.8	0.7	0.7
EV/EBITDA (x)	8.7	8.1	7.2	6.7	6.4

投资要点:

龙源电力 2018 年一季度实现收入 69 亿元（同比上升 12.9%），净利润 19 亿元（同比上升 67%）。我们上调我们的 EPS 预测如下：2018 年从 0.54 元上调至 0.61 元（同比上升 32.6%），2019 年从 0.59 元上调至 0.68 元（同比上升 11.5%），2020 年从 0.65 元上调至 0.73（同比上升 7.6%）。同时我们将目标价从 6.70 港币上调至 9.10 港币。现价距目标价仍有 30.7%的上行空间，上调至买入。

一季度业绩超市场预期。18 年一季度，公司风电收入实现 50 亿元，同比上升 30.9%，火电收入及其他收入分别下降 16.5%和 22%。风电平均利用小时数从 17 年一季度的 501 小时增至 18 年一季度的 626 小时，公司预计全年利用小时数实现 2160 小时。但我们相信 18 年此目标很可能被超越。经营费用的下降（从 17 年一季度的 40 亿元降至 18 年一季度的 39 亿元）主要由于近期煤炭销售成本下降。

一季度发电量强劲。龙源电力一季度披露总发电量为 13.6TWh（同比上升 20.6%），包括风电 11TWh（同比上升 33.2%），火电 2.5TWh（同比下降 13.4%）及其他可再生能源 126.7GWh。我们认为发电量增强是由于限电问题显著改善以及一季度风资源丰富。18 年一季度限电比率为 7.5%，大幅小于 17 年一季度的 16.4。考虑到一季度和四季度通常为高限电比率时段，我们相信 18 年全年限电比率很可能降至 7%。

政策利好。可再生能源板块最受关注的问题是限电问题和补贴拖欠。最近政府出台了若干政策来推进可再生能源的发展。3 月下旬，国家能源局颁布了《可再生能源电力配额及考核办法征求意见稿》，细致讨论了可再生能源配额制度的执行方法以实现到 2020 年和 2030 年年底非化石能源分别占总能源消耗量 15%和 20%的目标。4 月 26 日，国家能源局发布了《关于减轻可再生能源领域企业负担有关事项的通知》，要求加速推进全额收购政策，对可再生能源企业减少地区不合理收费。我们相信这项政策有助于企业降低成本，但关键的补贴拖欠问题，还需等待其他政策陆续发出。

上调评级至买入。我们上调我们的 EPS 预测如下：2018 年从 0.54 元上调至 0.61 元（同比上升 32.6%），2019 年从 0.59 元上调至 0.68 元（同比上升 11.5%），2020 年从 0.65 元上调至 0.73（同比上升 7.6%）。同时我们将目标价从 6.70 港币上调至 9.10 港

币，为 12 倍 18 年 PE 和 10.8 倍 19 年 PE 或者 1.06 倍 18 年 PB 和 0.97 倍 19 年 PB。现价距目标价仍有 30.7%的上行空间，上调至买入。

China Longyuan reported 1Q18 revenue of Rmb6.9bn (+12.9% YoY) and net income of Rmb1.9bn (+67% YoY). We revise up our EPS forecast from Rmb0.54 to Rmb0.61 in 18E (+32.6% YoY), from Rmb0.59 to Rmb0.68 in 19E (+11.5% YoY) and from Rmb0.65 to Rmb0.73 in 20E (+7.6% YoY). We also revise up our target price from HK$6.70 to HK$9.10. With 30.8% upside, we upgrade to BUY.

1Q18 results beat market expectation. For 1Q18, revenue from wind power increased by 30.9% YoY to Rmb5bn while revenue from coal power declined 16.5% YoY and power from other sources fell 22% YoY. Wind power utilisation hours increased from 501 hours for 1Q17 to 626 hours for 1Q18 and the company expects that full-year utilisation hours will reach 2,160. However, we see a high degree of likelihood that the firm will surpass its guidance. Operating expense declined from Rmb4bn in 1Q16 to Rmb3.9bn in 1Q17, which we attribute primarily to the lower cost of coal.

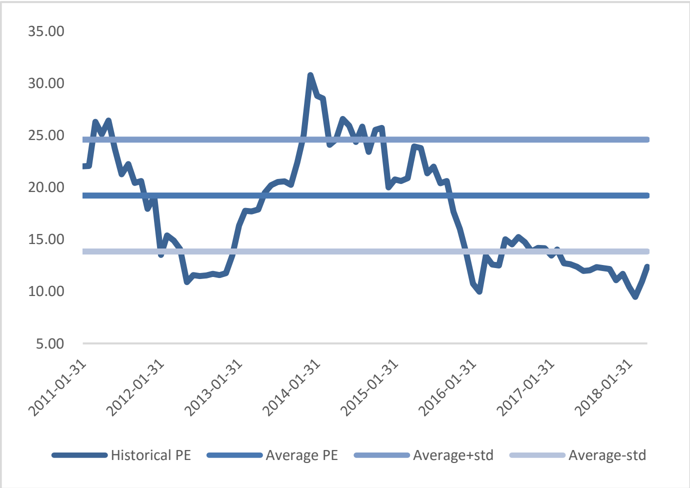
Strong power generation over 1Q18. For 1Q18, Longyuan recorded 13.6TWh gross power output (+20.6% YoY), including 11TWh from wind power (+33.2% YoY), 2.5TWh from coal power (-13.4% YoY) and 126.7GWh from other renewables (-14.3% YoY). We believe the strong power output is mainly due to the significant improvement of curtailment, as well as strong wind resources over the period. The curtailment rate in 1Q18 was 7.5%, down 8.9ppts YoY. As the first and final quarters typically see higher curtailment rates, we expect full-year curtailment to drop to 7%.

Favourable policy. The most important concerns in the renewable energy sector at present are curtailment and delays in payments of subsidies. Recently, the government published several policies to accelerate the development of renewable energy. In late March, National Energy Administration (NEA) released *Draft for Soliciting Opinions of Renewable Energy Quota System and Assessment Method*, which discussed the detailed method of execute the renewable energy quota system in order to achieve the goal that the consumption of non-fossil energy will account for 15% and 20% of total energy consumption by end-2020 and end-2030 respectively. On 26th April, the NEA published the *Notification of reducing the burden on enterprises in the renewable energy sector*, calling for faster implementation of the full-purchase policy and reduced regional fees for renewable companies. We believe this policy will help the company to save costs, but as yet we are still waiting for more policy action to resolve the issue of payment of subsidies.

Upgrade to BUY. We revise up our EPS forecasts from Rmb0.54 to Rmb0.61 in 18E (+32.6% YoY), from Rmb0.59 to Rmb0.68 in 19E (+11.5% YoY) and from Rmb0.65 to Rmb0.73 in 20E (+7.6% YoY). We also revise up our target price from HK$6.70 to HK$9.10, representing 12x 18E PE and 10.8x 19E PE, or 1.06x 18E PB and 0.97x 19E PB. With 30.7% upside, we upgrade to BUY.

Figure 1

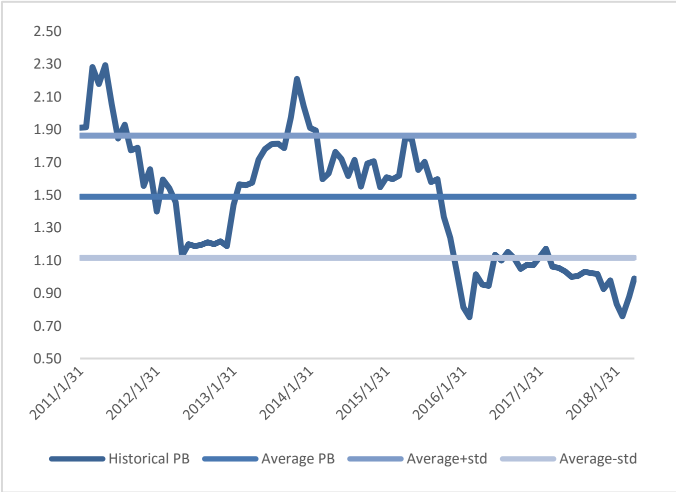
PE band



Source: Company, SWS Research

Figure 2

PB band



Source: Company, SWS Research

Appendix

Consolidated Income Statement

(Rmbm)	2016	2017	2018E	2019E	2020E
Revenue	22,304	24,592	27,291	29,101	30,833
Cost of Sales	15,403	16,967	17,998	19,003	20,093
Gross Profit	6,901	7,625	9,292	10,098	10,739
Other Income	647	712	603	654	656
Distribution expenses	n.a.	n.a.	n.a.	n.a.	n.a.
Administrative expenses	429	542	601	641	679
EBITDA	13,890	15,135	17,443	19,049	20,504
EBIT	7,548	8,337	9,895	10,752	11,395
Finance Costs	2,985	3,423	3,498	3,607	3,673
Profit before tax	5,150	5,465	6,949	7,697	8,274
Income tax expense	660	916	1,112	1,231	1,324
Minority interests	941	704	903	1,000	1,075
Profit for the year	3,415	3,688	4,934	5,465	5,875

Source: SWS Research

C Consolidated Cash Flow Statement

(Rmbm)	2016	2017	2018E	2019E	2020E
Profit before taxation	5,150	5,465	6,949	7,697	8,274
Plus：Depr. and amortisation	6,342	6,798	7,548	8,296	9,108
Finance cost	2,715	3,013	3,498	3,607	3,673
Losses from investments	1	(7)	0	0	0
Change in working capital	483	(2,065)	(1,668)	(544)	(521)
Others	(1,159)	(1,075)	(1,112)	(1,231)	(1,324)
CF from operating activities	13,533	12,131	15,215	17,825	19,211
CAPEX	13,061	14,448	14,440	15,890	15,890
Other CF from investing activities	11,802	12,444	14,301	16,269	0
CF from investing activities	(11,209)	(8,614)	(16,466)	(15,997)	(15,997)
Equity financing	0	0	0	0	0
Net change in liabilities	939	1,836	2,574	2,956	2,729
Dividend and interest paid	(3,879)	(3,551)	(3,498)	(3,607)	(3,673)
Other CF from financing activities	(4,676)	(5,195)	(6,105)	(7,116)	0
CF from financing activities	(3,284)	(352)	(1,841)	(1,744)	(2,119)
Net cash flow	(961)	3,165	(3,091)	83	1,095

Source：SWS Research

Consolidated Balance Sheet

(Rmbm)	2016	2017	2018E	2019E	2020E
Current Assets	13,333	17,122	14,992	15,620	23,513
Bank balances and cash	1,905	5,072	1,981	2,064	13,692
Trade and other receivables	5,901	7,155	8,027	8,559	5,763
Inventories	1,040	953	1,048	1,060	1,383
Other current assets	4,486	3,943	3,937	3,937	2,675
Long-term investment	4,487	4,482	4,482	4,482	1,726
PP&E	105,598	109,473	118,168	125,761	68,134
Intangible and other assets	15,243	14,557	14,785	14,893	15,849
Total Assets	138,661	145,635	152,428	160,756	109,222
Current Liabilities	55,807	47,159	46,451	46,451	24,600
Borrowings	44,472	35,774	35,774	35,774	15,000
Trade and other payables	2,550	1,891	1,891	1,891	1,500
Other current liabilities	8,786	9,494	8,786	8,786	8,100
Long-term liabilities	35,067	45,176	47,827	50,784	46,701
Total Liabilities	90,874	92,336	94,278	97,234	71,301
Minority Interests	47,786	53,299	58,150	63,522	37,366
Shareholder Equity	78,789	87,261	95,156	103,900	64,517
Share Capital	8,036	8,036	8,036	8,036	8,360
Reserves	29,862	33,098	37,046	41,418	23,898
Equity attributable	40,890	46,126	50,073	54,446	32,258
Total Liabilities and equity	138,661	145,635	152,428	160,756	109,222

Source: SWS Research

Financial Ratios

	2016	2017	2018E	2019E	2020E
Ratios per share (Rmb)					
Earnings per share	0.42	0.46	0.61	0.68	0.73
Diluted earnings per share	0.42	0.46	0.61	0.68	0.73
Operating CF per share	1.68	1.51	1.89	2.22	2.39
Dividend per share	0.08	0.09	0.12	0.14	0.15
Net assets per share	5.75	6.29	6.93	7.57	8.26
Key Operating Ratios (%)					
ROIC	4.2	3.7	3.2	2.8	2.5
ROE	9.4	8.5	10.0	10.2	10.0
Gross profit margin	34.8	35.1	37.6	38.3	38.3
Ebitda margin	60.5	59.8	62.5	64.0	65.1
Ebit margin	32.9	32.9	35.5	36.1	36.2
Growth rate of Revenue (YoY)	13.3	10.3	11.0	6.6	6.0
Growth rate of Profit (YoY)	18.7	8.0	33.8	10.8	7.5
Debt-to-asset ratio	65.5	63.4	61.9	60.5	65.3
Turnover rate of net assets	0.47	0.46	0.47	0.46	0.46
Turnover rate of total assets	0.16	0.17	0.18	0.18	0.16
Effective tax rate (%)	12.8	16.8	16.0	16.0	16.0
Dividend yield (%)	1.5	1.6	2.2	2.4	2.6
Valuation Ratios (x)					
PE	13.2	12.2	9.1	8.3	7.7
PB	1.0	0.9	0.8	0.7	0.7
EV/Sale	5.3	4.8	4.5	4.3	4.2
EV/Ebitda	8.7	8.1	7.2	6.7	6.4

Source: SWS Research

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