

22 July 2019

增持  
维持

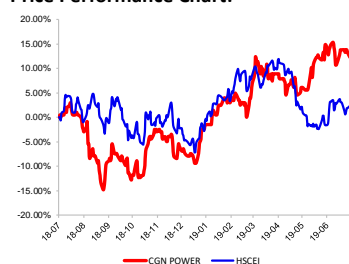
## 台山核电

### CGN POWER CO LTD-H (01816.HK)

#### Market Data: 18 July 2019

Closing Price (HK\$)	2.19
Price Target (HK\$)	2.48
HSCEI	10,785
HSCCI	4,427
52-week High/Low (HK\$)	2.24/1.61
Market Cap (Rmbm)	87,310
Market Cap (HK\$m)	99,533
Shares Outstanding (m)	45,449
Exchange Rate (Rmb-HK\$)	1.14

#### Price Performance Chart:



Source: Bloomberg

#### Financial summary and valuation

	2017	2018	2019E	2020E	2021E
Revenue (Rmbm)	45,616	50,828	52,686	55,588	57,242
YoY (%)	38.7	11.4	3.7	5.5	3.0
Net income (Rmbm)	9,500	8,703	9,707	10,567	11,722
YoY (%)	30.4	-8.4	11.5	8.9	10.9
EPS (Rmb)	0.21	0.19	0.21	0.23	0.26
Diluted EPS (Rmb)	0.21	0.19	0.21	0.23	0.26
ROE (%)	13.6	12.7	13.2	13.0	13.1
Debt/asset (%)	71.5	69.3	67.6	65.0	62.3
Dividend Yield (%)	3.5	3.7	4.1	4.5	5.0
PE (x)	9.2	10.0	9.0	8.3	7.4
PB (x)	1.3	1.2	1.1	1.0	1.0
EV/EBITDA (x)	12.1	11.8	12.3	11.8	11.5

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

最近我们参加了中广核电力江门台山核电站反向路演。目前台山核电站有两台EPR机组，单机容量1.75GW，一台已投运，一台计划2019年年底投运。尽管EPR研发费用高昂，我们预期台山核电站仍将给公司带来收益。中广核电力目前有22个在运机组，合计容量24.3GW，6个在建机组，合计容量7.4GW。我们维持2019年EPS预测0.21元，2020年EPS预测0.23元，我们预测2021年EPS0.26元。我们上调目标价至2.48港币，对应10.2倍19年PE及1.3倍19年PB。维持增持评级。

#### Analyst

Vincent Yu  
A0230513070005  
BAM599  
yuwj@swsresearch.com

#### Related Reports

CGN Power (01816.HK)  
"Generating revenue"  
13 March, 2019

The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

**台山核电站。**台山核电站目前有两台EPR机组，单机容量1.75GW，为全球最大。1号机组于2018年12月投产，2号机组于2019年6月23日完成首次并网，预期今年年底投产。EPR建设成本为25000元/KW，相比华龙一号16000元/KW高出56.3%。3月27日，公司获国家发改委批准，1号机组和2号机组的核准电价（含税）为0.4350元/kWh，且在该等电价下每年最低利用小时数为7500小时。我们同时指出该等电价不受5月出台的增值税税率下调政策影响。台山核电站的股权结构为：广东省国资委19%，中广核电力51%，法国电力30%。尽管EPR机组研发费用高昂，考虑到政府的积极扶持，我们认为台山核电站将为公司带来收益。由于缺少一个完整燃料周期（18个月）的数据，我们需要更多信息来测算台山核电站对公司盈利的具体影响。

**运营数据符合预期。**公司19年上半年发电量79.95TWh，同比+11.97%，符合我们预期。平均利用小时数略微下降1.1%（1H19为3,289小时，1H18为3,326小时）。发电量增长主要缘于2018年投产的台山1号机组。公司上半年按计划完成11次大修，下半年拟进行6次大修。据管理层披露，阳江6号机组和台山2号机组将于2019年下半年投入商运，总装机量约为2.84GW。我们预期公司19年下半年发电量将稳中有升。

**维持增持。**我们维持2019年EPS预测0.21元，2020年EPS预测0.23元，我们预测2021年EPS0.26元。我们上调目标价至2.48港币，对应10.2倍19年PE及1.3倍19年PB。维持增持评级。

We recently visited CGN Power's Taishan Nuclear Station in Guangdong Province. We note that the power plant currently has one 1.75GW unit under operation and one 1.75GW unit expected to start operation by end-2019, which may generate promising profits, despite significant R&D expenses. Overall, CGN Power currently has 22 units under operation with 24.3GW capacity and six units under construction with 7.4GW capacity. Given the expanding capacity, we maintain our EPS forecast of Rmb0.21 in 19E (+10.5% YoY), Rmb0.23 in 20E (+9.5% YoY) and derived 21E EPS of Rmb0.26 (+13% YoY). We lift our target price from HK\$2.30 to HK\$2.48, representing 10.2x 19E PE and 1.3x 19E PB. With 13.2% upside, we maintain Outperform.

**Promising power generation.** Taishan's Nuclear Station currently has two EPR units, each of which boasts 1.75GW of capacity and remains the world's largest unit. Unit 1 commenced commercial operations in December 2018 and Unit 2 completed its first grid connection on June 23 and is expected to start operation by end-2019. The construction cost of EPR stands at Rmb25,000/kW, 56.3% higher than that of HuaLong One (Rmb16,000/kW). On 27 March, the company received approval from the National Development and Reform Commission (NDRC) that the on-grid tariffs of Unit 1 and Unit 2 shall be Rmb0.4350/kWh (tax inclusive) with minimum utilisation hours of 7,500hrs per annum. We also note that the VAT Rate Adjustment policy will not affect the on-grid tariff. The share structure of Taishan Nuclear Station consists of Guangdong State-owned Assets Supervision and Administration Commission (SASAC), CGN power and Electricite De France (EDF), with equity interests of 19%, 51% and 30% respectively. Considering the government's support and significant R&D costs, we expect that Taishan Nuclear Station may generate promising profits for the company and create positive cash flow. Due to the lack of a full operation cycle's data, however, we need further information to determine the exact contribution of Taishan Nuclear Station for the whole company.

**Operational results within expectation.** The company also guided 1H19 operation results of 79.95TWh total on-grid power generation (+11.97% YoY), roughly in line with our expectation. Despite a slight 1.1% decrease in utilisation hours (3,289hrs in 1H19 vs 3,326hrs in 1H18), the growth is mainly attributable to the newly-added capacity of Taishan Unit 1, which was put into operation in December 2018. The company completed 11 refueling outages in 1H19 as scheduled and will carry out another six during 2H19. According to management, Yangjiang Unit 6 and Taishan Unit 2 will be put into operation in 2H19 with total capacity of c.2.84GW. Given the remaining refueling outages and expanding capacity, we expect continue power generation improvement in 2H19.

**Maintain outperform.** we maintain our EPS forecast of Rmb0.21 in 19E (+10.5% YoY), Rmb0.23 in 20E (+9.5% YoY) and derived 21E EPS of Rmb0.26 (+13% YoY). We lift our target price from HK\$2.30 to HK\$2.48, representing 10.2x 19E PE and 1.3x 19E PB. With 13.2% upside, we maintain Outperform.

### Consolidated Income Statement

Rmbm	2017	2018	2019E	2020E	2021E
Revenue	45,616	50,828	52,686	55,588	57,242
Cost of Sales	25,406	28,504	28,581	30,230	31,230
Gross Profit	19,583	21,691	23,336	24,546	25,176
Other Income	1,757	1,841	1,859	1,562	1,559
Distribution expenses	91	102	102	102	102
Selling/General/Admin Expenses	2,332	2,363	2,377	2,433	2,432
EBITDA	27,315	28,430	32,887	34,422	35,610
EBIT	20,129	20,900	25,086	26,174	27,081
Finance Costs	6,287	6,001	7,689	6,478	4,587
Profit before tax	13,841	14,899	17,397	19,696	22,494
Income tax expense	1,327	1,218	1,669	2,570	3,388
Minority interests	3,014	4,979	6,021	6,559	7,384
Profit for the year	9,500	8,703	9,707	10,567	11,722

Source: Company data, SWS Research

### Consolidated Cash Flow Statement

Rmbm	2017	2018	2019E	2020E	2021E
<b>Profit before taxation</b>	13,841	14,899	17,397	19,696	22,494
Plus: Depr. and amortisation	7,186	7,529	7,801	8,248	8,529
Finance cost	6,287	6,001	7,689	6,478	4,587
Losses from investments	-2,867	-12,030	-1,342	-1,270	-1,548
Change in working capital	3,974	-4,072	2,915	-620	-333
Others	1,581	-1,187	1,973	371	514
<b>CF from operating activities</b>	26,797	14,649	37,339	30,333	30,855
Capex	-15,067	-20,252	-15,646	-15,646	-15,646
Other CF from investing activities	-9,460	-48,794	-619	-619	-619
<b>CF from investing activities</b>	-24,527	-69,046	-16,265	-16,265	-16,265
Equity financing	1,103	-1,256	0	0	0
Net change in liabilities	8,075	-10,532	2,722	-5,409	-4,245
Dividend and interest paid	-4,669	-3,237	-2,066	-3,931	-4,360
Other CF from financing activities	-9,759	-6,001	-7,689	-6,478	-4,587
<b>CF from financing activities</b>	-250	-21,026	-7,033	-15,818	-13,193
<b>Net cash flow</b>	2,020	-75,423	14,040	-1,750	1,397

Source: Company data, SWS Research

### Consolidated Balance Sheet

Rmbm	2017	2018	2019E	2020E	2021E
Current Assets	56,369	55,388	-15,435	-15,841	-13,883
Bank balances and cash	10,316	15,208	-51,068	-52,818	-51,421
Trade and other receivables	17,362	12,686	9,441	9,911	10,179
Inventories	19,739	21,372	23,479	24,355	24,647
Other current assets	8,952	6,122	2,712	2,712	2,712
Long-term investment	8,364	10,626	11,989	13,282	14,852
PP&E	277,284	210,850	297,972	305,478	312,736

Intangible and other assets	17,091	91,273	91,389	91,899	92,378
<b>Total Assets</b>	<b>359,527</b>	<b>368,556</b>	<b>386,334</b>	<b>395,238</b>	<b>406,502</b>
Current Liabilities	60,654	60,625	56,233	57,174	57,700
Borrowings	21,904	16,296	9,595	9,433	9,198
Trade and other payables	27,208	36,542	38,341	39,088	39,338
Other current liabilities	11,542	7,787	8,297	8,652	9,165
Long-term liabilities	196,339	194,805	204,858	199,626	195,618
<b>Total Liabilities</b>	<b>256,994</b>	<b>255,430</b>	<b>261,091</b>	<b>256,800</b>	<b>253,319</b>
Minority Interests	36,695	42,011	48,031	54,591	61,975
Shareholder Equity	65,838	71,115	77,211	83,847	91,209
Share Capital	45,449	45,449	45,449	45,449	45,449
Reserves	20,389	25,666	31,762	38,399	45,760
Total Equity	65,838	71,115	77,211	83,847	91,209
<b>Total Liabilities and equity</b>	<b>359,527</b>	<b>368,556</b>	<b>386,334</b>	<b>395,238</b>	<b>406,502</b>

Source: Company data, SWS Research

### Key Financial Ratios

	2017	2018	2019E	2020E	2021E
<b>Ratios per share (Rmb)</b>					
Earnings per share	0.21	0.19	0.21	0.23	0.26
Diluted earnings per share	0.21	0.19	0.21	0.23	0.26
Operating CF per share	0.54	1.52	0.36	0.36	0.36
Dividend per share	0.07	0.07	0.08	0.09	0.10
Net assets per share	1.45	1.56	1.70	1.84	2.01
<b>Key Operating Ratios(%)</b>					
ROIC	6.3	5.8	6.7	6.6	6.5
ROE	13.6	12.7	13.2	13.0	13.1
Gross profit margin	42.9	42.7	44.3	44.2	44.0
EBITDA Margin	59.9	55.9	62.4	61.9	62.2
EBIT Margin	44.1	41.1	47.6	47.1	47.3
Growth rate of Revenue(YoY)	38.7	11.4	3.7	5.5	3.0
Growth rate of Profit(YoY)	30.4	-8.4	11.5	8.9	10.9
Debt-to-asset ratio	71.5	69.3	67.6	65.0	62.3
Turnover rate of net assets	0.4	0.4	0.4	0.4	0.4
Turnover rate of total assets	0.1	0.1	0.1	0.1	0.1
Effective tax rate (%)	9.2	8.7	9.6	13.0	15.1
Dividend yield (%)	3.5	3.7	4.1	4.5	5.0
<b>Valuation Ratios (X)</b>					
P/E	9.2	10.0	9.0	8.3	7.4
P/B	1.3	1.2	1.1	1.0	1.0
EV/Sale	7.3	6.6	7.7	7.3	7.2
EV/EBITDA	12.1	11.8	12.3	11.8	11.5

Source: Company data, SWS Research

## Information Disclosure:

The views expressed in this report accurately reflect the personal views of the analyst. The analyst declares that neither he/she nor his/her associate serves as an officer of nor has any financial interests in relation to the listed corporation reviewed by the analyst. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this report to any of the analyst, the Company or the group company(ies). A group company(ies) of the Company confirm that they, whether individually or as a group (i) are not involved in any market making activities for any of the listed corporation reviewed; or (ii) do not have any individual employed by or associated with any group company(ies) of the Company serving as an officer of any of the listed corporation reviewed; or (iii) do not have any financial interest in relation to the listed corporation reviewed or (iv) do not, presently or within the last 12 months, have any investment banking relationship with the listed corporation reviewed.

### Undertakings of the Analyst

I (We) am (are) conferred the Professional Quality of Securities Investment Consulting Industry by the Securities Association of China and have registered as the Securities Analyst. I hereby issue this report independently and objectively with due diligence, professional and prudent research methods and only legitimate information is used in this report. I am also responsible for the content and opinions of this report. I have never been, am not, and will not be compensated directly or indirectly in any form for the specific recommendations or opinions herein.

### Disclosure with respect to the Company

The company is a subsidiary of ShenwanHongyuan Securities. The company is a qualified securities investment consulting institute approved by China Securities Regulatory Commission.

Releasing securities research reports is the basic form of the securities investment consulting services. The company may analyze the values or market trends of securities and related products or other relevant affecting factors, provide investment analysis advice on securities valuation/ investment rating, etc. by issuing securities research reports solely to its clients.

The affiliates of the Company may hold or trade the investment targets mentioned in this report in accordance with the law, and may also provide or seek to provide investment banking services for these targets.

The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact [compliance@swsresearch.com](mailto:compliance@swsresearch.com) for the relevant disclosure materials or log into [www.swsresearch.com](http://www.swsresearch.com) for the analysts' qualifications' the arrangement of the quiet period and the affiliates' shareholdings.

### Introduction of Share Investment Rating

#### Security Investment Rating:

When measuring the difference between the markup of the security and that of the market's benchmark within six months after the release of this report, we define the terms as follows:

BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

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.

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

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

#### Industry Investment Rating:

When measuring the difference between the markup of the industry index and that of the market's benchmark within six months after the release of the report, we define the terms as follows:

Overweight: Industry performs better than that of the whole market;

Equal weight: Industry performs about the same as that of the whole market;

Underweight: Industry performs worse than that of the whole market.

We would like to remind you that different security research institutions adopt different rating terminologies and rating standards. We adopt the relative rating method to recommend the relative weightings of investment. The clients' decisions to buy or sell securities shall be based on their actual situation, such as their portfolio structures and other necessary factors. The clients shall read through the whole report so as to obtain the complete opinions and information and shall not rely solely on the investment ratings to reach a conclusion. The Company employs its own industry classification system. The industry classification is available at our sales personnel if you are interested.

HSCEI is the benchmark employed in this report.

## Disclaimer:

This report is to be used solely by the clients of SWS Research Co., Ltd. (subsidiary of ShenwanHongyuan Securities, hereinafter referred to as the "Company"). The Company will not deem any other person as its client notwithstanding his receipt of this report. The clients understand that the text message reminder and telephone recommendation are no more than a brief communication of the research opinions, which are subject to the complete report released on the Company's website (<http://www.swsresearch.com>). The clients may ask for follow-up explanations if they so wish. Save and except as otherwise stipulated in this report, the contactor upon the first page of the report only acts as the liaison who shall not provide any consulting services.

This report is based on public information, however, the authenticity, accuracy or completeness of such information is not warranted by the Company. The materials, tools, opinions and speculations contained herein are for the clients' reference only, and are not to be regarded or deemed as an invitation for the sale or purchase of any security or other investment instruments. The materials, opinions and estimates contained herein only reflect the judgment of the Company on the day this report is released. The prices, values and investment returns of the securities or investment instruments referred to herein may fluctuate. At different periods, the Company may release reports which are inconsistent with the materials, opinions and estimates contained herein.

The clients shall consider the Company's possible conflict of interests which may affect the objectivity of this report, and shall not base their investment decisions solely on this report. The clients should make investment decisions independently and solely at your own risk. Please be reminded that in any event, the company will not share gains or losses of any securities investment with the clients. Whether written or oral, any commitment to share gains or losses of securities investment is invalid. The investment and services referred to herein may not be suitable for certain clients and shall not constitute personal advice for individual clients. The Company does not ensure that this report fully takes into consideration of the particular investment objectives, financial situations or needs of individual clients. The Company strongly suggests the clients to consider themselves whether the opinions or suggestions herein are suitable for the clients' particular situations; and to consult an independent investment consultant if necessary. Under no circumstances shall the information contained herein or the opinions expressed herein forms an investment recommendation to anyone. Under no circumstances shall the Company be held responsible for any loss caused by the use of any contents herein by anyone. Please be particularly cautious to the risks and exposures of the market via investment. Independent investment consultant should be consulted before any investment decision is rendered based on this report or at any request of explanation for this report where the receiver of this report is not a client of the Company.

The Company possesses all copyrights of this report which shall be treated as non-public information. The Company reserves all rights related to this report. Unless otherwise indicated in writing, all the copyrights of all the materials herein belong to the Company. In the absence of any prior authorization by the Company in writing, no part of this report shall be copied, photocopied, replicated or redistributed to any other person in any form by any means, or be used in any other ways which will infringe upon the copyrights of the Company. All the trademarks, service marks and marks used herein are trademarks, service marks or marks of the Company, and no one shall have the right to use them at any circumstances without the prior consent of the Company.

This report may be translated into different languages. The Company does not warrant that the translations are free from errors or discrepancies.

This report is for distribution in Hong Kong only to persons who fall within the definition of professional investors whether under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") or the Securities and Futures (Professional Investor) Rules (Chapter 571D of the laws of the Hong Kong under the SFO).

This report is for distribution in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) order 2001 (as amended) (the "Order") or (ii) are persons falling within Article 49(2)(a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc") of the Order (All such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons. Other Persons who are not Relevant Persons must not act or rely upon this document or any of its contents.

## Distribution in Singapore

If distributed in Singapore, this report is meant only for Accredited Investors and Institutional Investors as defined under Section 4A of the Securities and Futures Act of Singapore. If you are not an Accredited Investor or an Institutional Investor, you shall ignore the report and its contents. The Singapore recipients of the report are to contact the Singapore office of ShenwanHongyuan Singapore Private Limited at 65-6323-5208, or 65-6323-5209 in respect of any matters arising from, or in connection with, the report.