



Company Report: Longyuan Power (00916 HK)

公司报告: 龙源电力 (00916 HK)

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19 November 2018

Wind Resources Recovery On Track, Reiterate "Buy"

风资源在复苏的方向上，重申“买入”

- LYP's wind power generation in Oct. 2018 increased 4.1% YoY to 3,309 GWh; curtailment rate decreased 1.7 ppt YoY to 4.1%. Estimated cumulative wind curtailment rate for the first 10 months of 2018 was 5.9%. We expect the Company's 2018 full-year wind power generation growth rate to be approximately 19.9% on a YoY basis and wind utilization hours to be above 2,200 hours.
- The Company's 1-3Q18 net profit attributable to equity holders of the Company was up 42.9% YoY to RMB 4,014 mn, representing 82.2% of our previous full-year estimate and was better than expected. 1-3Q18 revenue was up by 8.5% YoY; revenue contribution from the Company's wind power business increased 21.0% YoY mainly because of the steady decrease in wind curtailment rate and better wind resources in coastal areas. Given healthy fundamentals in LYP's wind power segment, we expect to see continuation in the Company's strong earnings growth in the 4th quarter with generally good wind conditions.
- We maintain our "Buy" rating and TP of HK\$8.30 for LYP. We revise our EPS forecasts by 3.5%/ -0.4%/ -0.2% for 2018/ 2019/ 2020 to RMB0.611/ RMB0.686/ RMB0.749, respectively. The Company's wind farm projects in northeastern China, Inner Mongolia and Gansu may continuously benefit from higher quota requirements mentioned in the 3rd consultation draft of RPS. We maintain our "Buy" rating for LYP, current TP represents 12.0x/ 10.6x/ 9.7x 2018/ 2019/ 2020 PER.
- 龙源电力 2018 年 10 月份风电发电量同比上升 4.1%至 3,309 吉瓦时，限电率同比下降 1.7 个百分点至 4.1%。2018 年首 10 个月测算的累计风电限电率为 5.9%。我们预计公司全年的风电发电量同比增速约为 19.9%，利用小时数将达到 2,200 小时以上。
- 公司 2018 年 1-3 季度的权益持有人应占净利润同比增长 42.9%至人民币 40.14 亿元，相当于我们此前全年预测的 82.2%且好于预期。1-3 季度收入同比增长 8.5%，受益于限电率的稳定下降以及沿海地区风资源较好，公司风电分部的收入贡献同比上升 21.0%。考虑到公司风电板块良好的基本面，我们预计在 4 季度风况普遍较好的情况下公司将维持强劲的盈利增速。
- 我们维持龙源电力的“买入”评级以及 8.30 港元的目标价。我们将 2018/2019/2020 年每股盈利预测分别调整了 3.5%/ -0.4%/ -0.2%至人民币 0.611 元/ 0.686 元/ 0.749 元。公司位于东北地区、内蒙古以及甘肃的风电项目预计将持续受益于第三版可再生能源配额制征求意见稿中提出的更高的配额指标要求。我们维持龙源电力的“买入”评级，当前的目标价相当于 12.0 倍/ 10.6 倍/ 9.7 倍的 2018/ 2019/ 2020 年市盈率。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$8.30

Revised from 原目标价:

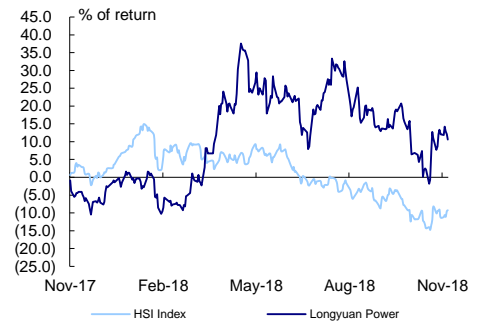
HK\$8.30

Share price 股价:

HK\$6.140

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	3.7	(7.1)	11.6
Rel. % to HS Index 相对恒指变动 %	0.9	(3.7)	21.4
Avg. share price(HK\$) 平均股价 (港元)	6.0	6.3	6.1

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2016A	22,304	3,415	0.425	18.7	12.9	5.088	1.1	0.085	1.5	8.6
2017A	24,592	3,688	0.459	8.0	11.1	5.740	0.9	0.092	1.8	8.5
2018F	26,616	4,912	0.611	33.2	8.8	6.256	0.9	0.122	2.3	10.2
2019F	27,965	5,517	0.686	12.3	7.9	6.817	0.8	0.137	2.5	10.5
2020F	29,034	6,023	0.749	9.2	7.2	7.177	0.8	0.150	2.8	10.7

Shares in issue (m) 总股数 (m)	8,036.4	Major shareholder 大股东	China Energy Investment Corp Ltd. 58.4%
Market cap. (HK\$ m) 市值 (HK\$ m)	49,343.4	Free float (%) 自由流通比率 (%)	38.7
3 month average vol. 3 个月平均成交股数 ('000)	11,486.6	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	140.7
52 Weeks high/low (HK\$) 52 周高/低	7.780 / 5.020	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)	12.8

Source: the Company, Guotai Junan International.

Longyuan Power's ("LYP" or the "Company") wind power generation in Oct. 2018 increased 4.1% YoY to 3,309GWh; estimated monthly wind power utilisation hours was slightly down by 1.4% YoY to 180 hours. The Company's average wind curtailment rate for Oct. was 4.1%, down by 1.7 ppt YoY. Estimated cumulative wind curtailment rate for the first 10 months of 2018 was around 5.9%, and corresponding cumulative wind utilisation hours was 1,751 hours, up by 11.7% YoY. Also, the Company's coal-fired power generation for Oct. recorded notable increase of 21.6% YoY due to the increase in power consumption demand and the low base last year (caused by capacity maintenance). Overall, the Company's wind power generation and wind utilisation performance for Oct. was in line with our expectation. We expect that growth rate of the Company's 2018 full-year wind power generation growth rate will be approximately 19.9% on a YoY basis and wind utilization hours to be above 2,200 hours.

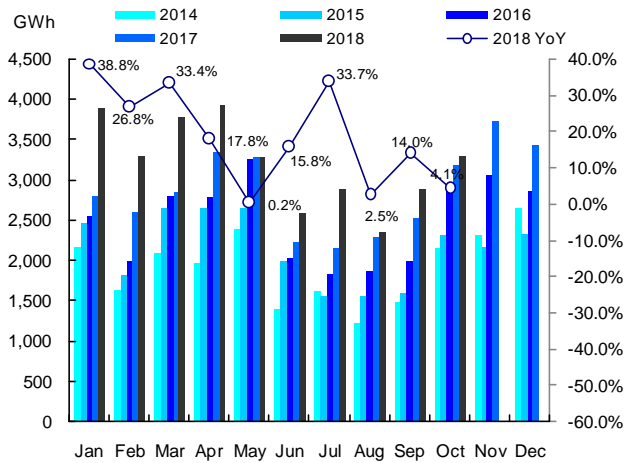
LYP's 1-3Q18 net profit attributable to equity holders of the Company was up 42.9% YoY to RMB 4,014 mn, representing 82.2% of our previous full-year estimate and was better than expected. 1-3Q18 revenue was up by 8.5% YoY; revenue contribution from the Company's wind power business increased 21.0% YoY mainly because of the stable decrease in wind curtailment rate and better wind resources in coastal areas. Revenue from the coal-fired segment decreased 10.9% YoY on lower power generation and the decline in coal sales volume. Total operating expense was slightly up by 2.6% YoY; the increase in depreciation, management and personnel costs had been mostly offset by lower COGS for coal sales. The Company's net finance expenses for 1-3Q18 increased 1.4% YoY with higher interest rate levels, while the balance of interest-bearing liabilities decreased by RMB6.30 bn for the period. Average borrowing rate was around 4.36% for 1-3Q18, up by 0.24 ppts YoY. Also, the collection regarding renewable energy subsidies saw notable improvement since September. Income tax expenses was up 30.4% YoY for 1-3Q18 incurred by higher PBT, but the effective tax rate decreased 9.6 ppt for 3Q18 because of higher profit contribution from new capacities, entitled to tax holiday. Given lower-than-expected 2Q18 results, we think the significant rebound in LYP's earnings growth rate in the 3Q18 was mainly attributed by better wind speed in high tariff areas (overall average wind speed for 3Q18 was slightly up by 0.8% YoY to 4.88 m/s) and the Company's effective cost control. The Company's wind power segment maintained stable growth momentum, and we expect to see a continuation in LYP's strong earnings growth in the 4th quarter with generally good wind conditions.

Table-1: 1-3Q18 results review for LYP

	1-3Q17	1-3Q18	YoY/ppt	3Q2017	3Q2018	YoY/ppt	Comments
Major operating figures							
Consolidated wind capacity (MW)	17,417	18,395	5.6%	17,417	18,395	5.6%	No capacity addition in 3Q18
Average wind capacity (MW)	16,807	17,660	5.1%	17,204	17,771	3.3%	
Wind curtailment rate	11.70%	6.30%	-5.40ppt	7.38%	4.46%	-2.92ppt	1.4ppt better than nationwide avg. for 1-3Q18
Wind utilisation (Hrs)	1,433	1,637	14.2%	406	457	12.6%	
Est. non-curtailed wind utilisation (Hrs)	1,623	1,747	7.7%	438	478	9.2%	
Wind power generation (GWh)	24,084	28,909	20.0%	6,981	8,120	16.3%	
Avg wind on-grid tariff (VAT incl.) (RMB/MWh)	566	561	-0.8%	557	578	3.7%	Higher power generation in Zone IV for 3Q18
Utilisation hour of coal-fired capacity	4,293	3,824	-10.9%	1,454	1,268	-12.8%	
Coal-fired power generation (GWh)	8,049	7,170	-10.9%	2,726	2,378	-12.8%	
Financial results (RMB Mn)							
Revenue	17,674	19,174	8.5%	5,359	5,811	8.4%	
Other net income	366	648	77.4%	77	205	166.4%	Due to the increase in VAT rebate
Operating expenses	(11,862)	(12,168)	2.6%	(4,022)	(4,286)	6.6%	
Operating profit	6,177	7,655	23.9%	1,414	1,730	22.4%	
Net finance expenses	(2,321)	(2,353)	1.4%	(825)	(731)	-11.4%	Avg. borrowing rate was 4.36% for 1-3Q18
Share of profits of Asso. & JV	178	160	-10.1%	38	90	133.4%	
PBT	4,033	5,461	35.4%	627	1,089	73.8%	
Income tax	(693)	(903)	30.4%	(137)	(134)	-2.6%	Incurred by higher PBT recognized
PAT	3,341	4,558	36.4%	489	955	95.2%	
Minority interest	(532)	(545)	2.4%	(175)	(135)	-22.9%	
Profit attributable to equity holders	2,809	4,014	42.9%	314	820	161.2%	
EPS (RMB)	0.335	0.485	44.7%	0.035	0.103	195.2%	
Margins & ratios							
Operating margin	34.9%	39.9%	5.0ppt	26.4%	29.8%	3.4ppt	
Effective income tax rate	17.2%	16.5%	-0.6ppt	21.9%	12.3%	-9.6ppt	Higher profit contribution from new capacities
MI / PAT	15.9%	11.9%	-4.0ppt	35.8%	14.2%	-21.7ppt	
Net margin	18.9%	23.8%	4.9ppt	9.1%	16.4%	7.3ppt	

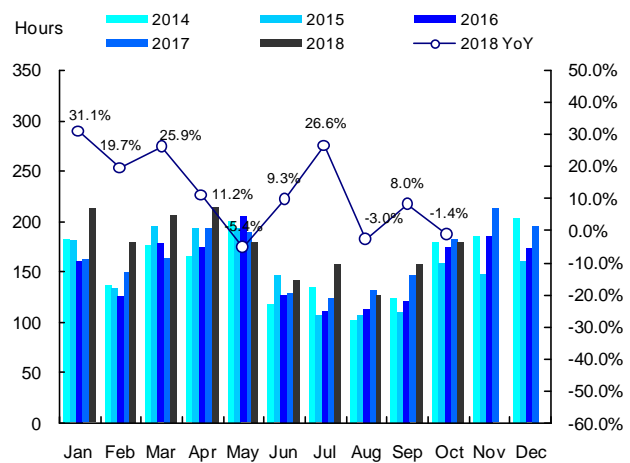
Source: the Company, Guotai Junan International.

Figure-1: Monthly wind power generation for LYP



Source: Bloomberg, Guotai Junan International.

Figure-2: Estimated monthly wind utilisation for LYP



Source: Bloomberg, Guotai Junan International.

Key notes from LYP's 3Q18 conference call

- 1) Market trading electricity sales volume in 1-3Q18 recorded approximately 7.21 MMWh, representing 24.9% of the Company's total power generation for the period. The average tariff for market trading electricity was around RMB0.45/KWh, basically flat YoY. The management expects the percentage of market trading electricity for 2018 full year to be approximately 25.0%, and expects the average tariff to remain basically unchanged YoY.
- 2) The Company collected RMB1.88 bn in renewable energy subsidies as at 30 Sep. 2018, representing about 23.2% of its total subsidy receivables as of 1H18. The collection progress for subsidy receivables significantly accelerated in September as expected, and the management is confident that most of the remaining subsidies will be collected before year end.
- 3) Due to increasingly strict policy requirements regarding environmental issues and grid connection for new projects, the Company expects its target capacity addition for 2018 to be lower than 1.0 GW. Capacity addition for 2019 is expected to remain at 1.0 GW unchanged. Currently the unit construction cost for LYP's wind farm projects is around RMB7,750/KW.

Key adjustments for LYP

- 1) **Slightly revise down newly installed capacity assumptions to 0.9 GW/ 1.0 GW/ 1.1 GW for 2018/ 2019/ 2020 to match the Company's guidance.** The construction period for the Company's new wind farm projects in Zone IV (mostly forest lands and mountainous areas) has been notably prolonged as environmental policy requirements have remained relatively strict. From an industry perspective, we think that nationwide capacity expansion may also remain at a normal pace of 20.0 GW - 25.0 GW per year for 2018 and 2019 without further policy stimulus. Meanwhile, the Company's wind curtailment rate continued to improve both on a YoY and MoM basis. We expect the Company's average wind curtailment rate for 2018 to be around 6.35%, which may offset the slowdown in newly installed capacity. The Company is still actively seeking new projects with better tariffs; we maintain an optimistic outlook for the Company's electricity sales revenue growth.
- 2) **Revise up the Company's other net income forecast for 2018.** Profit contribution from the Company's new capacities near coastal areas saw a sharp increase during 3Q18 due to the typhoon season in August and September, thus incurring significantly higher VAT rebate for the quarter. We revise up our forecasts for the Company's other net income by 47.4%/ 4.2% for 2018/ 2019, respectively; estimate for year 2020 is slightly revised down by 1.0% due to lower newly installed capacity assumptions.

Table-2: Key operating factors and earnings adjustments for LYP

	Old Estimates			New Estimates			Change %/ppt		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Operations									
New installed wind capacity (MW)	1,050	1,100	1,150	900	1,000	1,100	-14.3%	-9.1%	-4.3%
Average operating wind capacity (MW)	18,553	19,500	20,488	18,530	19,345	20,240	-0.1%	-0.8%	-1.2%
Non-curtailed wind utilisation (hrs)	2,375	2,380	2,385	2,380	2,385	2,390	0.2%	0.2%	0.2%
Wind curtailment rate	6.40%	5.05%	4.05%	6.35%	5.00%	4.00%	-0.05ppt	-0.05ppt	-0.05ppt
Utilisation hour (hrs)	2,223	2,260	2,288	2,229	2,266	2,294	0.3%	0.3%	0.3%
Wind power generation (GWh)	41,243	44,067	46,885	41,302	43,832	46,439	0.1%	-0.5%	-0.9%
Wind power sold (GWh)	39,732	42,466	45,189	39,788	42,277	44,782	0.1%	-0.4%	-0.9%
Wind power feed-in tariff (VAT excl.) (RMB/MWh)	479	473	470	478	473	469	-0.2%	-0.2%	-0.2%
Utilisation hour of coal-fired capacity	4,959	4,900	4,852	5,051	4,991	4,976	1.8%	1.8%	2.5%
Coal-fired power generation (GWh)	9,299	9,188	9,098	9,470	9,358	9,329	1.8%	1.8%	2.5%
Coal-fired power sold (GWh)	8,639	8,541	8,461	8,798	8,698	8,676	1.8%	1.8%	2.5%
Coal-fired feed-in tariff (VAT excl.) (RMB/MWh)	330	347	332	330	347	332	0.0%	0.0%	0.0%
QHD5,500Kcal FOB annual average (RMB/t)	640	585	575	640	585	575	0.0%	0.0%	0.0%
Std. coal consumption of power generated (g/KWh)	294	294	294	294	294	294	0.0%	0.0%	0.0%
Std. coal price (VAT excl.) (RMB/t)	700	655	632	707	662	638	1.0%	1.0%	1.0%
Unit fuel cost of coal-fired power sold (RMB/MWh)	221	207	200	224	209	202	1.0%	1.0%	1.0%
Dark spread (RMB/MWh)	109	139	133	107	137	131	-2.0%	-1.4%	-1.5%
Financials (RMB Mn)									
Electricity sales revenue	22,269	23,457	24,456	22,309	23,383	24,296	0.2%	-0.3%	-0.7%
Service concession construction revenue	300	400	500	300	400	500	0.0%	0.0%	0.0%
Other sales revenue	4,006	4,182	4,237	4,006	4,182	4,237	0.0%	0.0%	0.0%
Sales revenue	26,575	28,039	29,193	26,616	27,965	29,034	0.2%	-0.3%	-0.5%
Other net income	601	834	880	886	869	871	47.4%	4.2%	-1.0%
Service concession construction costs	(300)	(400)	(500)	(300)	(400)	(500)	0.0%	0.0%	0.0%
Coal consumption	(2,322)	(2,154)	(2,059)	(2,381)	(2,208)	(2,123)	2.5%	2.5%	3.1%
Coal sales cost	(3,015)	(3,169)	(3,204)	(3,016)	(3,170)	(3,204)	0.1%	0.1%	0.0%
D&A	(7,239)	(7,650)	(7,932)	(7,281)	(7,607)	(7,810)	0.6%	-0.6%	-1.5%
Personnel costs	(1,771)	(1,859)	(1,951)	(1,761)	(1,841)	(1,929)	-0.6%	-1.0%	-1.1%
Material costs	(190)	(190)	(190)	(190)	(190)	(190)	0.0%	0.0%	0.0%
R&M	(778)	(796)	(836)	(778)	(790)	(827)	0.0%	-0.7%	-1.1%
Administration expenses	(575)	(610)	(647)	(573)	(605)	(641)	-0.4%	-0.8%	-1.0%
Other operating expenses	(936)	(1,024)	(1,073)	(936)	(1,024)	(1,073)	0.0%	0.0%	0.0%
Operating cost	(17,125)	(17,852)	(18,392)	(17,215)	(17,835)	(18,296)	0.5%	-0.1%	-0.5%
Operating profit	10,051	11,021	11,681	10,287	10,999	11,608	2.3%	-0.2%	-0.6%
Net finance expenses	(3,398)	(3,278)	(3,275)	(3,398)	(3,275)	(3,203)	0.0%	-0.1%	-2.2%
Profit from Asso. & JV	320	333	346	318	331	344	-0.4%	-0.5%	-0.6%
PBT	6,973	8,076	8,752	7,207	8,055	8,749	3.4%	-0.3%	0.0%
Income tax	(1,151)	(1,376)	(1,558)	(1,184)	(1,373)	(1,558)	2.8%	-0.2%	0.0%
PAT	5,822	6,701	7,194	6,024	6,682	7,190	3.5%	-0.3%	0.0%
Minority interest	(835)	(917)	(940)	(870)	(924)	(950)	4.1%	0.7%	1.1%
Perpetual medium-term note	(242)	(242)	(218)	(242)	(242)	(218)	0.0%	0.0%	0.0%
Shareholder's profit	4,744	5,541	6,036	4,912	5,517	6,023	3.5%	-0.4%	-0.2%
Profit attributable to equity holders	4,986	5,783	6,254	5,154	5,759	6,241	3.4%	-0.4%	-0.2%
EPS (RMB)	0.590	0.690	0.751	0.611	0.686	0.749	3.5%	-0.4%	-0.2%
DPS (RMB)	0.118	0.138	0.150	0.122	0.137	0.150	3.5%	-0.4%	-0.2%
Margins and ratios									
EBITDA margin	66.3%	67.8%	68.4%	67.2%	67.7%	68.1%	0.9ppt	-0.1ppt	-0.3ppt
Operating margin	37.8%	39.3%	40.0%	38.6%	39.3%	40.0%	0.8ppt	0.0ppt	0.0ppt
Net profit margin	17.9%	19.8%	20.7%	18.5%	19.7%	20.7%	0.6ppt	0.0ppt	0.1ppt
Effective tax rate	16.5%	17.0%	17.8%	16.4%	17.0%	17.8%	-0.1ppt	0.0ppt	0.0ppt
Interest coverage ratio	306.1%	339.6%	366.6%	313.0%	340.6%	372.4%	6.9ppt	1.0ppt	5.9ppt
ROE	9.9%	10.6%	10.8%	10.2%	10.5%	10.7%	0.3ppt	-0.1ppt	0.0ppt
Net debt / shareholders' equity	143.3%	125.6%	118.9%	140.7%	120.9%	114.0%	-2.6ppt	-4.7ppt	-4.9ppt

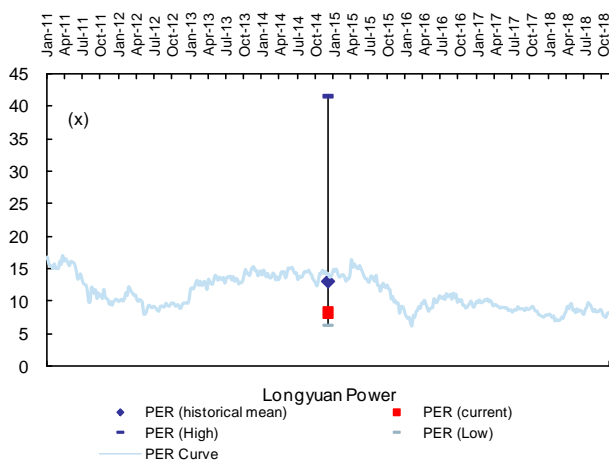
Source: Guotai Junan International.

Maintain "Buy" rating and TP of HK\$8.30 for LYP. We revise our EPS forecasts by 3.5%/ -0.4%/ -0.2% for 2018/ 2019/ 2020 to RMB0.611/ RMB0.686/ RMB0.749, respectively, mainly due to 1) higher electricity sales revenue estimate and higher other income forecast in 2018 and 2) slightly lower capacity addition forecasts for 2018-2020. The Company's 1-3Q18 results were better than our expectation, and we expect the Company's full-year power generation to record sizable increase given the Company's healthy fundamentals. The National Energy Administration recently issued the 3rd consultation draft of the Renewable Portfolio Standard (RPS). Quota requirements regarding non-hydro renewable energy electricity for northeastern China, Inner Mongolia and Gansu increased by varying degrees ranging from 0.9 ppt to 2.1 ppt (as "incentive target") comparing with the previous version, which we think will benefit the Company's wind farm projects in the abovementioned areas. We maintain our "Buy" rating for LYP; current TP represents 12.0x/ 10.6x/ 9.7x 2018/ 2019/ 2020 PER.

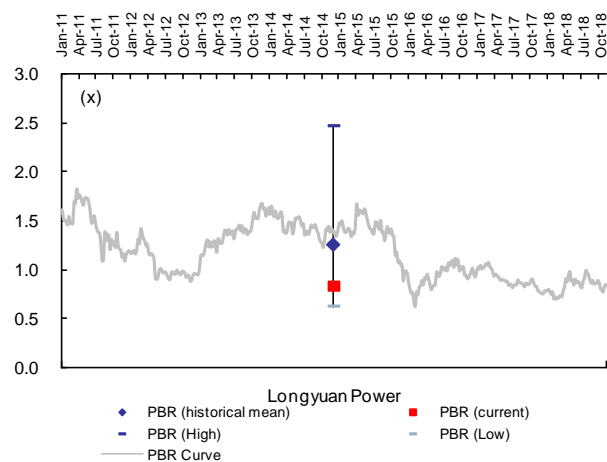
Table-3: Sensitivity analysis for LYP

EPS Sensitivity Analysis	EPS (RMB)		
	2018F	2019F	2020F
Base Case EPS (RMB)	0.611	0.686	0.749
Base Case Assumptions			
Wind curtailment rate	6.4%	5.0%	4.0%
Non-curtailed wind utilisation hours (Hrs)	2,380	2,385	2,390
QHD5,500Kcal coal price (RMB/t)	640	585	575
Average borrowing rate	4.40%	4.45%	4.50%
EPS (RMB)			
Wind curtailment rate +1ppt	0.559	0.630	0.721
Non-curtailed wind utilisation hours +5%	0.663	0.741	0.840
QHD5,500Kcal coal price +5%	0.566	0.639	0.731
Average borrowing rate +25bps	0.561	0.634	0.727
EPS change (RMB)			
Wind curtailment rate +1ppt	(0.052)	(0.057)	(0.028)
Non-curtailed wind utilisation hours +5%	0.051	0.055	0.090
QHD5,500Kcal coal price +5%	(0.045)	(0.048)	(0.018)
Average borrowing rate +25bps	(0.050)	(0.053)	(0.023)
EPS change (%)			
Wind curtailment rate +1ppt	-8.5%	-8.2%	-3.8%
Non-curtailed wind utilisation hours +5%	8.4%	8.0%	12.0%
QHD5,500Kcal coal price +5%	-7.3%	-7.0%	-2.4%
Average borrowing rate +25bps	-8.2%	-7.7%	-3.0%

Source: Guotai Junan International.

Figure-3: Estimated PER Curve of LYP


Source: Bloomberg, Guotai Junan International.

Figure-4: Estimated PBR Curve of LYP


Source: Bloomberg, Guotai Junan International.

Table-4: Peers Valuation for Clean Energy IPPs

Company	Ticker	Currency	Price	Mkt cap (HK\$ Mn)	PER (x)				PB (x)				ROE (%)
					2017A	2018F	2019F	2020F	2017A	2018F	2019F	2020F	2018F
Hong Kong Market													
CHINA LONGYUAN POWER GROUP-H	916 HK	HKD	6.14	49,343	11.1	8.8	7.9	7.2	0.9	0.9	0.8	0.8	10.2
HUANENG RENEWABLES CORP-H	958 HK	HKD	2.31	24,726	6.5	5.9	5.3	4.8	0.8	0.8	0.7	0.6	14.0
CHINA DATANG CORP RENEWABL-H	1798 HK	HKD	1.00	7,274	9.9	4.8	4.1	3.6	0.5	0.5	0.5	0.4	12.1
HUADIAN FUXIN ENERGY CORP -H	816 HK	HKD	1.53	12,780	5.4	5.0	4.0	3.2	0.5	0.5	0.4	0.4	9.3
CGN NEW ENERGY HOLDINGS CO L	1811 HK	HKD	1.09	4,720	9.7	5.9	5.8	4.6	0.7	0.6	0.6	0.5	11.2
CGN POWER CO LTD-H	1816 HK	HKD	1.96	89,080	7.8	8.3	7.3	7.7	1.1	1.0	0.9	0.9	12.8
BEIJING JINGNENG CLEAN ENE-H	579 HK	HKD	1.53	12,614	4.9	3.6	3.4	4.6	0.5	0.5	0.4	0.4	14.0
Hong Kong Market Mean (Simple)					7.9	6.1	5.4	5.1	0.7	0.7	0.6	0.6	11.9
Hong Kong Market Mean (Weighted)					8.2	7.4	6.6	6.5	0.9	0.8	0.8	0.8	12.1
Hong Kong Market Median					7.8	5.9	5.3	4.6	0.7	0.6	0.6	0.5	12.1

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Total Revenue	22,304	24,592	26,616	27,965	29,034
Other Net Income & Gains	647	712	886	869	871
Service Concession Costs	(541)	(74)	(300)	(400)	(500)
D&A	(6,342)	(6,798)	(7,281)	(7,607)	(7,810)
Coal Consumption	(1,702)	(2,475)	(2,381)	(2,208)	(2,123)
Coal Sales Cost	(3,410)	(3,762)	(3,016)	(3,170)	(3,204)
Personnel Costs	(1,603)	(1,677)	(1,761)	(1,841)	(1,929)
Material Costs	(216)	(233)	(190)	(190)	(190)
Repairs & Maintenance	(642)	(622)	(778)	(790)	(827)
SG&A	(429)	(542)	(573)	(605)	(641)
Other Expenses	(518)	(784)	(936)	(1,024)	(1,073)
Operating Profit	7,548	8,337	10,287	10,999	11,608
Financial Income	211	208	205	202	200
Financial Expense	(2,985)	(3,423)	(3,603)	(3,477)	(3,403)
Profits from Asso. & JV	376	344	318	331	344
Profit Before Tax	5,150	5,465	7,207	8,055	8,749
Income Tax	(660)	(916)	(1,184)	(1,373)	(1,558)
Profit After Tax	4,490	4,550	6,024	6,682	7,190
Perpetual MT Note	(133)	(158)	(242)	(242)	(218)
Non-controlling Interest	(941)	(704)	(870)	(924)	(950)
Shareholders' Profit / Loss	3,415	3,688	4,912	5,517	6,023
Basic EPS	0.425	0.459	0.611	0.686	0.749

Balance Sheet					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Property, plant and equipment	105,598	109,473	109,115	111,492	114,388
Investment Properties	4	10	8	7	6
Lease Prepayments	2,137	2,165	2,228	2,339	2,445
Intangible Assets	8,798	8,692	8,584	8,581	8,678
Others	8,790	8,172	7,551	8,002	8,415
Total Non-current Assets	125,328	128,513	127,486	130,421	133,931
Cash & Cash Equivalents	1,901	5,072	5,093	5,203	5,112
Inventories	1,040	953	1,148	1,161	1,198
Receivables	5,901	7,155	6,849	6,797	6,645
Prepayments	3,644	3,629	3,028	3,015	3,064
Others	846	313	385	401	421
Total Current Assets	13,333	17,122	16,504	16,576	16,440
Total Assets	138,661	145,635	143,990	146,997	150,372
Payables	2,550	1,891	1,260	1,739	1,858
Current Borrowings	44,472	35,774	34,132	32,158	31,889
Tax Payable	176	229	262	300	341
Other Payables	8,610	9,266	6,206	8,315	8,817
Total Current Liabilities	55,807	47,159	41,860	42,512	42,906
Non-current Borrowings	31,327	41,620	41,717	39,304	38,976
Others Non-Current Liabilities	3,740	3,556	2,488	2,331	2,342
Total Non-current Liabilities	35,067	45,176	44,205	41,635	41,318
Total Liabilities	90,874	92,336	86,065	84,147	84,224
Total Shareholders' Equity	40,890	46,126	50,275	54,785	57,679
Minority Interest	6,896	7,173	7,651	8,065	8,468
Total Equity	47,786	53,299	57,926	62,850	66,147

Cash Flow Statement					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
PBT	5,150	5,465	7,207	8,055	8,749
D&A	6,342	6,798	7,281	7,607	7,810
Net Interest Expense	2,578	2,964	2,903	2,926	2,799
Profits of Asso. & JV	(376)	(344)	(318)	(331)	(344)
Other Adjustments	(11)	248	374	214	259
Changes in WC	483	(2,221)	(802)	775	241
Income Tax Paid	(634)	(780)	(1,177)	(1,351)	(1,535)
Cash from Operating Activities	13,533	12,131	15,469	17,895	17,979
Investing activities					
Purchase of Fixed Assets	(13,990)	(9,104)	(9,605)	(8,639)	(10,496)
Payments for Investments	(6)	0	0	0	0
Net Outflow for Loans and Advances	2,013	44	48	36	27
Government Grant Received	25	25	16	24	26
Dividends Received	96	434	421	283	219
Interest Received	142	21	130	132	135
Others	512	(34)	0	0	0
Cash from Investing Activities	(11,209)	(8,614)	(8,989)	(8,164)	(10,090)
Financing activities					
Share Issue	0	0	0	0	0
Perpetual Securities Issue	0	2,000	0	0	(2,000)
Perpetual Securities Redemption	0	0	0	0	0
Proceeds from Borrowings	52,463	69,436	56,500	52,500	53,000
Repayment of Borrowings	(51,671)	(67,872)	(58,046)	(56,886)	(53,597)
Dividends to NCI	(730)	(613)	(472)	(575)	(629)
Dividends to Shareholders	(576)	(683)	(738)	(982)	(1,103)
Interest Paid for Borrowings	(3,149)	(2,938)	(3,165)	(3,286)	(3,228)
Interest Paid for Perpetual Securities	(133)	(133)	(242)	(242)	(218)
Others	512	451	100	100	100
Cash from Financing Activities	(3,284)	(352)	(6,063)	(9,372)	(7,675)
Net Changes in Cash	(961)	3,165	417	359	214
Cash at Beg of Year	2,887	1,901	5,072	5,093	5,203
FX Adjustments	(25)	6	(395)	(250)	(305)
Cash at End of Year	1,901	5,072	5,093	5,203	5,112

Financial Ratios					
	2016A	2017A	2018F	2019F	2020F
Margins & Efficiency:					
EBITDA Margin (%)	64.0	62.9	67.2	67.7	68.1
Operating Margin (%)	33.8	33.9	38.6	39.3	40.0
Net Profit Margin (%)	15.3	15.0	18.5	19.7	20.7
Dividend Payout Ratio (%)	20.0	20.0	20.0	20.0	20.0
Inventory Days	17.4	14.8	14.4	15.1	14.8
Receivable Days	83.0	96.9	96.0	89.1	84.5
Payable Days	36.4	33.0	21.6	19.6	22.6
Growth%:					
Revenue	13.3	10.3	8.2	5.1	3.8
Operating Profit	5.8	10.5	23.4	6.9	5.5
Net Profit	18.7	8.0	33.2	12.3	9.2
Profitability:					
ROE (%)	8.6	8.5	10.2	10.5	10.7
ROA (%)	2.5	2.6	3.4	3.8	4.1
ROC (%)	6.3	6.7	8.1	8.5	8.9
Financial Ratios:					
Net Debt/Equity (%)	181.9	157.8	140.7	120.9	114.0
Current Ratio (x)	0.2	0.4	0.4	0.4	0.4
Dividend Yield (%)	1.5	1.8	2.3	2.5	2.8
Interest Coverage (x)	2.6	2.6	3.1	3.4	3.7

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance <-5%; Or the fundamental outlook of the sector is unfavorable.

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