



Company Report: Longyuan Power (00916 HK)

公司报告: 龙源电力 (00916 HK)

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Power Generation in November Missed Expectation, Cut TP

十一月发电量表现不及预期, 下调目标价

- LYP's wind power generation in Nov. 2018 decreased 14.8% YoY to 3,190GWh, lower than expectation.** The Company's wind resources showed sharp deterioration in November. Except for a few provinces in northwest and southern China, average wind speed for most regions all recorded double-digit YoY decrease. The Company's average wind curtailment rate for November was 3.5%, down by 3.5 ppt YoY. Estimated cumulative wind curtailment rate for the first 11 months of 2018 was around 5.7%, and corresponding cumulative wind utilisation hours was 1,925 hours. Given the Company's wind power generation performance for the first 11 months of 2018, we now expect its full-year wind power generation to be slightly above 40.0MMWh, and wind utilization hours to be around 2,160 hours.
- We maintain our "Buy" rating while revise down TP to HK\$7.60 for LYP.** We revise down our EPS forecasts by 8.8%/ 3.6%/ 2.2% for 2018/ 2019/ 2020 to RMB0.557/ RMB0.662/ RMB0.733 due to lower wind power generation forecasts for 2018-2020. Yet we think the slowdown in power generation during Oct. and Nov. was mostly temporary. The Company's long-term profitability remains healthy with a steady downtrend in wind curtailment rate; the current valuation is still attractive. We maintain our "Buy" rating for LYP. The current TP represents 12.0x/ 10.1x/ 9.1x 2018/ 2019/ 2020 PER.
- 龙源电力 2018 年 11 月份风电发电量同比下跌 14.8%至 3,190 吉瓦时, 低于预期。**公司 11 月份的风资源情况出现明显倒退。除西北以及华南地区的少数省份以外, 其他大部分区域的平均风速都录得双位数的同比下跌。公司 11 月份的平均风电限电率为 3.5%, 同比下降 3.5 个百分点。2018 年首 11 个月测算的累计风电限电率约为 5.7%, 对应的累计风电利用小时数预计为 1,925 小时。根据公司 2018 年首 11 个月的风电发电量表现, 我们现预计其全年的风电发电量将略高于 400 亿千瓦时, 而风电利用小时数则约为 2,160 小时。
- 我们维持龙源电力的“买入”评级但将目标价下调至 7.60 港元。**由于 2018-2020 年更低的风电发电量预测, 我们将 2018/ 2019/ 2020 年每股盈利预测分别下调了 8.8%/ 3.6%/ 2.2%至人民币 0.557 元/ 0.662 元/ 0.733 元。但我们认为 10 月份以及 11 月份发电量增速的放缓只是暂时性的。在风电限电率稳步降低的背景下, 公司长期的盈利能力维持良好, 现时估值依然十分吸引。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/ 10.1 倍/ 9.1 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\$7.60

Revised from 原目标价:

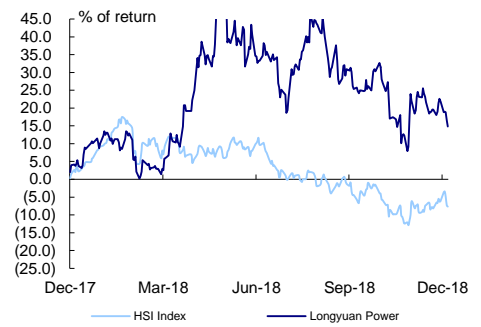
HK\$8.30

Share price 股价:

HK\$5.800

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 %	(6.8)	(8.4)	12.6
Rel. % to HS Index 相对恒指变动 %	(6.4)	(5.0)	20.5
Avg. share price(HK\$) 平均股价 (港元)	6.0	6.1	6.2

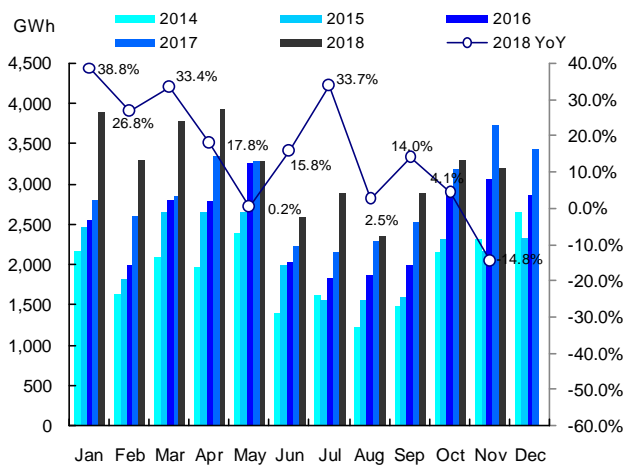
Source: Bloomberg, Guotai Junan International.

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	12.2	5.088	1.0	0.085	1.6	8.6
2017A	24,592	3,688	0.459	8.0	10.5	5.740	0.8	0.092	1.9	8.5
2018F	26,048	4,480	0.557	21.5	9.2	6.202	0.8	0.111	2.2	9.3
2019F	27,705	5,320	0.662	18.8	7.7	6.750	0.8	0.132	2.6	10.2
2020F	28,847	5,889	0.733	10.7	7.0	7.098	0.7	0.147	2.9	10.6
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)				46,611.1	Free float (%) 自由流通比率(%)					38.7
3 month average vol. 3 个月平均成交股数('000)				12,429.1	FY18 Net gearing (%) FY18 净负债/股东资金 (%)					142.7
52 Weeks high/low (HK\$) 52 周高/低				7.780 / 5.060	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)					11.6

Source: the Company, Guotai Junan International.

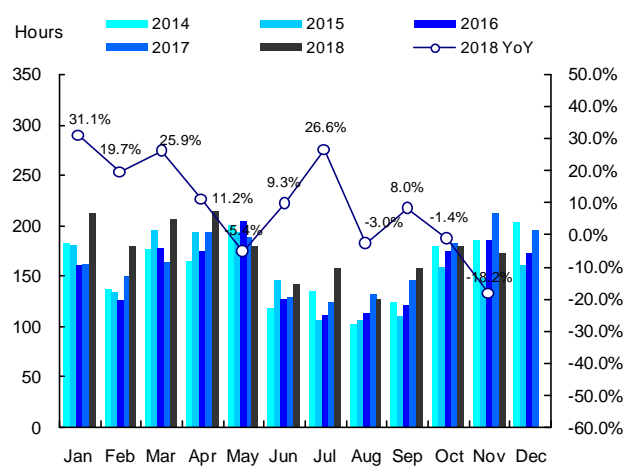
Longyuan Power's ("LYP" or the "Company") wind power generation in Nov. 2018 decreased 14.8% YoY to 3,190GWh. Estimated monthly wind power utilisation hours was down by 18.2% YoY to 173 hours (212 hours for the same period in 2017), and was 12 hours lower than the last 5-year average (2013-2017). The Company's wind resources showed sharp deterioration in November with capacity-weighted average provincial wind speed of merely 4.35m/s (down by 15.61% YoY). Except for a few provinces in northwest and southern China, average wind speed for most regions all recorded double-digit YoY decrease. The Company's average wind curtailment rate for November was 3.5%, down by 3.5 ppt YoY. Estimated cumulative wind curtailment rate for the first 11 months of 2018 was around 5.7%, and corresponding cumulative wind utilisation hours was 1,925 hours, up by 8.1% YoY. Overall, the Company's wind power generation and wind utilisation performance for November was significantly below our expectation, mainly due to surprisingly low wind resources and the relatively high base last year. We now assume the Company's full-year wind power generation to be slightly above 40.0MMWh, and wind utilization hours to be around 2,160 hours.

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 adjustments for LYP

- 1) **Revise down wind power generation forecasts by 3.1%/ 1.4%/ 0.9% for 2018/ 2019/ 2020, respectively.** Given lower-than-expected wind power generation in November, we revise down non-curtailed wind utilisation assumptions for 2018/ 2019/ 2020 by 3.4%/ 1.7%/ 1.3% to reflect the deterioration in wind resources. Meanwhile, LYP's monthly wind curtailment rates have been continuously lower than 5.0% since Jun. 2018. We thus further revise down wind curtailment rate estimates by 0.3 ppt for 2018-2020 considering the steady improvement in the Company's wind curtailment situations. We also slightly revise up LYP's coal-fired power generation forecasts as we have seen recovery in the Company's monthly coal-fired utilisation performance since the 3rd quarter of 2018.
- 2) **Slightly revise down the Company's net finance expenses assumptions by 0.5%/ 0.3%/ 0.6% for 2018/ 2019/ 2020.** The Company has recently completed the issuance of corporate bonds, asset-backed notes and several ultra short-term debentures with coupon rate ranging from 2.63% to 4.95%. We think that the debt replacements with lower borrowing rate should help reduce the Company's financing expense. Also, we expect the domestic monetary environment in 1H19 to be relatively loose in order to support economic growth. We now assume the Company's average borrowing cost to be 4.38%/ 4.42%/ 4.45% for 2018/ 2019/ 2020, respectively.

Table-1: 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)	900	1,000	1,100	900	1,000	1,100	0.0%	0.0%	0.0%
Average operating wind capacity (MW)	18,530	19,345	20,240	18,530	19,345	20,240	0.0%	0.0%	0.0%
Non-curtailed wind utilisation (hrs)	2,380	2,385	2,390	2,300	2,345	2,360	-3.4%	-1.7%	-1.3%
Wind curtailment rate	6.35%	5.00%	4.00%	6.05%	4.70%	3.70%	-0.30ppt	-0.30ppt	-0.30ppt
Utilisation hour (hrs)	2,229	2,266	2,294	2,161	2,235	2,273	-3.1%	-1.4%	-0.9%
Wind power generation (GWh)	41,302	43,832	46,439	40,041	43,233	46,000	-3.1%	-1.4%	-0.9%
Wind power sold (GWh)	39,788	42,277	44,782	38,574	41,699	44,358	-3.1%	-1.4%	-0.9%
Wind power feed-in tariff (VAT excl.) (RMB/MWh)	478	473	469	478	473	469	0.0%	0.0%	0.0%
Utilisation hour of coal-fired capacity	5,051	4,991	4,976	5,073	5,012	4,996	0.4%	0.4%	0.4%
Coal-fired power generation (GWh)	9,470	9,358	9,329	9,511	9,397	9,368	0.4%	0.4%	0.4%
Coal-fired power sold (GWh)	8,798	8,698	8,676	8,836	8,735	8,713	0.4%	0.4%	0.4%
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)	707	662	638	707	662	638	0.0%	0.0%	0.0%
Unit fuel cost of coal-fired power sold (RMB/MWh)	224	209	202	224	209	202	0.0%	0.0%	0.0%
Dark spread (RMB/MWh)	107	137	131	107	137	131	0.0%	0.0%	0.0%
Financials (RMB Mn)									
Electricity sales revenue	22,309	23,383	24,296	21,742	23,123	24,109	-2.5%	-1.1%	-0.8%
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	26,616	27,965	29,034	26,048	27,705	28,847	-2.1%	-0.9%	-0.6%
Other net income	886	869	871	860	858	863	-2.9%	-1.3%	-0.9%
Service concession construction costs	(300)	(400)	(500)	(300)	(400)	(500)	0.0%	0.0%	0.0%
Coal consumption	(2,381)	(2,208)	(2,123)	(2,389)	(2,216)	(2,130)	0.4%	0.4%	0.3%
Coal sales cost	(3,016)	(3,170)	(3,204)	(3,016)	(3,170)	(3,204)	0.0%	0.0%	0.0%
D&A	(7,281)	(7,607)	(7,810)	(7,281)	(7,607)	(7,810)	0.0%	0.0%	0.0%
Personnel costs	(1,761)	(1,841)	(1,929)	(1,761)	(1,841)	(1,929)	0.0%	0.0%	0.0%
Material costs	(190)	(190)	(190)	(190)	(190)	(190)	0.0%	0.0%	0.0%
R&M	(778)	(790)	(827)	(778)	(790)	(827)	0.0%	0.0%	0.0%
Administration expenses	(573)	(605)	(641)	(573)	(605)	(641)	0.0%	0.0%	0.0%
Other operating expenses	(936)	(1,024)	(1,073)	(936)	(1,024)	(1,073)	0.0%	0.0%	0.0%
Operating cost	(17,215)	(17,835)	(18,296)	(17,223)	(17,843)	(18,304)	0.0%	0.0%	0.0%
Operating profit	10,287	10,999	11,608	9,684	10,720	11,406	-5.9%	-2.5%	-1.7%
Net finance expenses	(3,398)	(3,275)	(3,203)	(3,381)	(3,264)	(3,185)	-0.5%	-0.3%	-0.6%
Profit from Asso. & JV	318	331	344	318	331	344	0.0%	0.0%	0.0%
PBT	7,207	8,055	8,749	6,622	7,787	8,565	-8.1%	-3.3%	-2.1%
Income tax	(1,184)	(1,373)	(1,558)	(1,103)	(1,333)	(1,528)	-6.8%	-2.9%	-1.9%
PAT	6,024	6,682	7,190	5,519	6,454	7,036	-8.4%	-3.4%	-2.1%
Minority interest	(870)	(924)	(950)	(797)	(892)	(929)	-8.4%	-3.4%	-2.1%
Perpetual medium-term note	(242)	(242)	(218)	(242)	(242)	(218)	0.0%	0.0%	0.0%
Shareholder's profit	4,912	5,517	6,023	4,480	5,320	5,889	-8.8%	-3.6%	-2.2%
Profit attributable to equity holders	5,154	5,759	6,241	4,722	5,562	6,107	-8.4%	-3.4%	-2.1%
EPS (RMB)	0.611	0.686	0.749	0.557	0.662	0.733	-8.8%	-3.6%	-2.2%
DPS (RMB)	0.122	0.137	0.150	0.111	0.132	0.147	-8.8%	-3.6%	-2.2%
Margins and ratios									
EBITDA margin	67.2%	67.7%	68.1%	66.4%	67.3%	67.8%	-0.8ppt	-0.4ppt	-0.3ppt
Operating margin	38.6%	39.3%	40.0%	37.2%	38.7%	39.5%	-1.5ppt	-0.6ppt	-0.4ppt
Net profit margin	18.5%	19.7%	20.7%	17.2%	19.2%	20.4%	-1.3ppt	-0.5ppt	-0.3ppt
Effective tax rate	16.4%	17.0%	17.8%	16.7%	17.1%	17.8%	0.2ppt	0.1ppt	0.0ppt
Interest coverage ratio	313.0%	340.6%	372.4%	296.9%	334.5%	370.3%	-16.1ppt	-6.1ppt	-2.2ppt
ROE	10.2%	10.5%	10.7%	9.3%	10.2%	10.6%	-0.9ppt	-0.3ppt	-0.1ppt
Net debt / shareholders' equity	140.7%	120.9%	114.0%	142.7%	123.2%	116.4%	2.0ppt	2.2ppt	2.4ppt

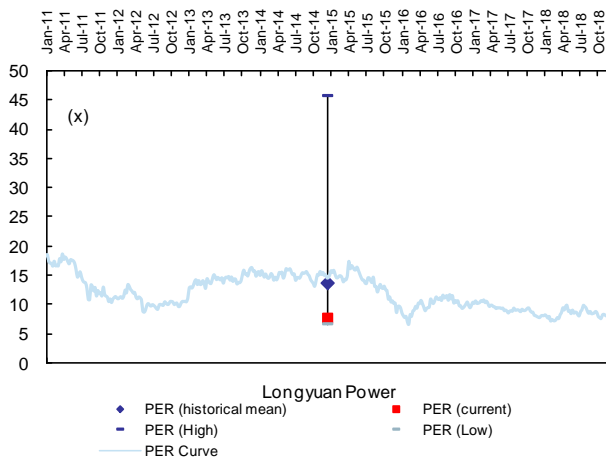
Source: Guotai Junan International.

Maintain "Buy" rating while revise down TP to HK\$7.60 for LYP. We revise down our EPS forecasts by 8.8%/ 3.6%/ 2.2% for 2018/ 2019/ 2020 to RMB0.557/ RMB0.662/ RMB0.733 due to lower wind power generation forecasts for 2018-2020. Yet we think that the slowdown in power generation during Oct. and Nov. was mostly temporary. The Company's long-term profitability remains healthy with a steady downtrend in wind curtailment rate; the current valuation is still attractive. We thus maintain our "Buy" rating for LYP but cut TP from HK\$8.30 to HK\$7.60. Our current TP represents 12.0x/ 10.1x/ 9.1x 2018/ 2019/ 2020 PER and 1.1x/ 1.0x/ 0.9x 2018/ 2019/ 2020 PBR.

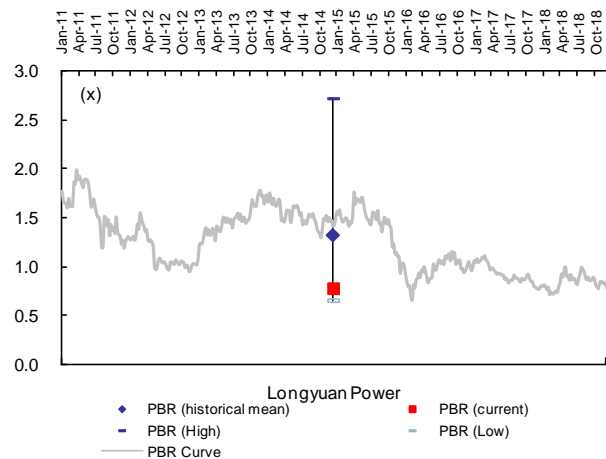
Table-2: Sensitivity analysis for LYP

EPS Sensitivity Analysis	EPS (RMB)		
	2018F	2019F	2020F
Base Case EPS (RMB)	0.557	0.662	0.733
Base Case Assumptions			
Wind curtailment rate	6.1%	4.7%	3.7%
Non-curtailed wind utilisation hours (Hrs)	2,300	2,345	2,360
QHD5,500Kcal coal price (RMB/t)	640	585	575
Average borrowing rate	4.38%	4.42%	4.45%
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	0.002	(0.032)	(0.012)
Non-curtailed wind utilisation hours +5%	0.105	0.079	0.107
QHD5,500Kcal coal price +5%	0.009	(0.023)	(0.002)
Average borrowing rate +25bps	0.003	(0.028)	(0.006)
EPS change (%)			
Wind curtailment rate +1ppt	0.3%	-4.8%	-1.6%
Non-curtailed wind utilisation hours +5%	18.9%	12.0%	14.6%
QHD5,500Kcal coal price +5%	1.6%	-3.5%	-0.2%
Average borrowing rate +25bps	0.6%	-4.3%	-0.8%

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-3: 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	5.80	46,611	10.5	9.2	7.7	7.0	0.8	0.8	0.8	0.7	9.3
HUANENG RENEWABLES CORP-H	958 HK	HKD	2.27	22,718	6.4	5.8	5.3	4.8	0.8	0.8	0.7	0.6	14.0
CHINA DATANG CORP RENEWABL-H	1798 HK	HKD	1.04	7,419	10.3	5.0	4.2	3.7	0.6	0.5	0.5	0.4	12.1
HUADIAN FUXIN ENERGY CORP -H	816 HK	HKD	1.67	13,957	5.9	5.5	4.4	3.5	0.5	0.5	0.5	0.4	9.3
CGN NEW ENERGY HOLDINGS CO L	1811 HK	HKD	1.22	4,977	10.8	6.6	6.5	4.7	0.8	0.7	0.7	0.5	11.2
CGN POWER CO LTD-H	1816 HK	HKD	1.86	84,080	7.4	7.9	6.9	7.3	1.1	1.0	0.9	0.9	12.8
BEIJING JINGNENG CLEAN ENE-H	579 HK	HKD	1.57	13,274	5.1	3.7	3.5	4.7	0.5	0.5	0.4	0.5	14.0
Hong Kong Market Mean (Simple)					8.1	6.2	5.5	5.1	0.7	0.7	0.6	0.6	11.8
Hong Kong Market Mean (Weighted)					7.9	7.3	6.4	6.3	0.9	0.8	0.7	0.7	11.9
Hong Kong Market Median					7.4	5.8	5.3	4.7	0.8	0.7	0.7	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	26,048	27,705	28,847
Other Net Income & Gains	647	712	860	858	863
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)	(2,389)	(2,216)	(2,130)
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	9,684	10,720	11,406
Financial Income	211	208	205	192	185
Financial Expense	(2,985)	(3,423)	(3,586)	(3,456)	(3,370)
Profits from Asso. & JV	376	344	318	331	344
Profit Before Tax	5,150	5,465	6,622	7,787	8,565
Income Tax	(660)	(916)	(1,103)	(1,333)	(1,528)
profit After Tax	4,490	4,550	5,519	6,454	7,036
Perpetual MT Note	(133)	(158)	(242)	(242)	(218)
Non-controlling Interest	(941)	(704)	(797)	(892)	(929)
Shareholders' Profit / Loss	3,415	3,688	4,480	5,320	5,889
Basic EPS	0.425	0.459	0.557	0.662	0.733

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	4,720	4,645	4,443
Inventories	1,040	953	1,148	1,161	1,199
Receivables	5,901	7,155	6,702	6,733	6,601
Prepayments	3,644	3,629	3,022	3,013	3,063
Others	846	313	377	396	417
Total Current Assets	13,333	17,122	15,970	15,947	15,723
Total Assets	138,661	145,635	143,456	146,368	149,654
Payables	2,550	1,891	1,260	1,740	1,859
Current Borrowings	44,472	35,774	34,132	32,158	31,889
Tax Payable	176	229	245	291	334
Other Payables	8,610	9,266	6,192	8,291	8,794
Total Current Liabilities	55,807	47,159	41,830	42,479	42,877
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	86,035	84,114	84,195
Total Shareholders' Equity	40,890	46,126	49,843	54,242	57,043
Minority Interest	6,896	7,173	7,578	8,012	8,417
Total Equity	47,786	53,299	57,421	62,254	65,459

Cash Flow Statement					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
PBT	5,150	5,465	6,622	7,787	8,565
D&A	6,342	6,798	7,281	7,607	7,810
Net Interest Expense	2,578	2,964	2,886	2,915	2,781
Profits of Asso. & JV	(376)	(344)	(318)	(331)	(344)
Other Adjustments	(11)	248	374	214	259
Changes in WC	483	(2,221)	(658)	693	221
Income Tax Paid	(634)	(780)	(1,105)	(1,308)	(1,504)
Cash from Operating Activities	13,533	12,131	15,083	17,577	17,788
Investing activities					
Purchase of Fixed Assets	(13,990)	(9,104)	(9,606)	(8,641)	(10,499)
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	122	120
Others	512	(34)	0	0	0
Cash from Investing Activities	(11,209)	(8,614)	(8,991)	(8,175)	(10,107)
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)	(536)	(602)
Dividends to Shareholders	(576)	(683)	(738)	(896)	(1,064)
Interest Paid for Borrowings	(3,149)	(2,938)	(3,151)	(3,266)	(3,196)
Interest Paid for Perpetual Securities	(133)	(133)	(242)	(242)	(218)
Others	512	451	100	100	100
Cash from Financing Activities	(3,284)	(352)	(6,049)	(9,227)	(7,577)
Net Changes in Cash	(961)	3,165	43	175	103
Cash at Beg of Year	2,887	1,901	5,072	4,720	4,645
FX Adjustments	(25)	6	(395)	(250)	(305)
Cash at End of Year	1,901	5,072	4,720	4,645	4,443

Financial Ratios					
	2016A	2017A	2018F	2019F	2020F
Margins & Efficiency:					
EBITDA Margin (%)	64.0	62.9	66.4	67.3	67.8
Operating Margin (%)	33.8	33.9	37.2	38.7	39.5
Net Profit Margin (%)	15.3	15.0	17.2	19.2	20.4
Dividend Payout Ratio (%)	20.0	20.0	20.0	20.0	20.0
Inventory Days	17.4	14.8	14.7	15.2	14.9
Receivable Days	83.0	96.9	97.1	88.5	84.4
Payable Days	36.4	33.0	22.1	19.8	22.8
Growth%:					
Revenue	13.3	10.3	5.9	6.4	4.1
Operating Profit	5.8	10.5	16.2	10.7	6.4
Net Profit	18.7	8.0	21.5	18.8	10.7
Profitability:					
ROE (%)	8.6	8.5	9.3	10.2	10.6
ROA (%)	2.5	2.6	3.1	3.7	4.0
ROC (%)	6.3	6.7	7.6	8.3	8.7
Financial Ratios:					
Net Debt/Equity (%)	181.9	157.8	142.7	123.2	116.4
Current Ratio (x)	0.2	0.4	0.4	0.4	0.4
Dividend Yield (%)	1.6	1.9	2.2	2.6	2.9
Interest Coverage (x)	2.6	2.6	3.0	3.3	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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