

## Wind Power Monthly

### Stagnant May outputs, but growth outlook intact

	Ticker	Rec	Mkt cap		Price	PT	Up/ dn (%)	EPS growth (%)		PER (x)		PBR (x)	
			(USD mn)	Ccy				2017E	2018E	2017E	2018E	2017E	2018E
<b>Longyuan Power</b>	916 HK	BUY	6,019	HKD	5.93	7.51	+27%	15.1	14.6	10.7	9.3	1.0	0.9
<b>Huaneng Renewables</b>	958 HK	BUY	3,320	HKD	2.50	3.22	+29%	6.1	17.9	7.6	6.4	0.9	0.8

Source: Company data, CSC Research estimates; prices as of 9<sup>th</sup> June, 2017

- **Longyuan Power (LYP) and Huaneng Renewables (HNR) reported that their May-2017 domestic wind power output increased by 0.7% YoY and decreased by 4.9% YoY respectively. We estimate their monthly utilizations have dropped by 7.3% and 9.8% YoY, respectively.**
- **The stagnant wind power outputs were mainly attributable to weak wind resources; however, curtailments among majority of the provinces remained flat or slightly improved, and also both operators are on track to achieving their full-year utilization targets.**
- **Recent market sentiments have been weak towards the wind power sector due to the lack of new positive catalysts, but we reiterate our BUY rating on both LYP and HNR, on the back of their intact growth outlook and undemanding valuations.**

**Stagnant May wind power outputs due to high base effect.** LYP announced May-17 power generation of 4,176GWh, up 5.4% YoY, mainly driven by the 27.2% YoY growth in coal power generation (accounting for 20% of total output), while domestic wind power generation grew by merely 0.7% YoY (vs 23.5% YoY wind power output growth in May-16). Meanwhile, HNR reported total power generation of 2,172GWh, down slightly by 3.3% YoY, as the 4.9% YoY decline in wind power output (vs 44.2% YoY output growth in May-16) was partly offset by a 34.1% YoY growth in solar power output (accounting for 6% of total output).

**Output growth was dragged by weak wind resources, but curtailments continue to improve.** LYP and HNR both reported notable output declines in Northern China and Liaoning in Northeast China due to weak wind resources during the last month. More specifically, LYP suffered major declines from Hebei (wind outputs declined by 24.0% YoY) and Inner Mongolia (down 10.4% YoY) in Northern China, Liaoning (down 15.5% YoY) in Northeast, and Anhui (down 21.2% YoY) in Eastern China. However, majority of the Northwestern provinces demonstrated solid growth, which is consistent with the improving trend as we identified in our April output report; and the management indicated that the overall curtailment rate has improved by 2.3ppt to 10.5% in May-2017 (vs 12.8% in May-2016). Meanwhile, HNR suffered major declines from Yunnan (down 16.8% YoY) and Guangdong (down 26.8% YoY) in Southern China, Xinjiang (down 27.0% YoY) in Northwest, Inner Mongolia (down 9.0% YoY) in Northern, and Liaoning (down 8.2% YoY) in Northeast. In contrast to LYP, HNR's management indicated that the overall curtailment rate has increased by 1.5ppt to 9.5% in May-2017, which was due to the grid maintenance in Xinjiang and persistent curtailments in Shaanxi, meanwhile, power outputs in the other regions have only been affected by weak wind resources.

**Reiterate BUY on LYP and HNR given intact growth and undemanding valuations.** LYP is currently trading at a forward PER and PBR of 9.9x and 0.97x respectively, both of which are over 1SD below the historical average. Meanwhile, HNR is currently trading at a forward PER and PBR of 6.9x and 0.86x respectively, both of which are around the level of 1SD below the historical average.

**ZHU Kexin**  
**(CE No.: BEZ998)**  
[zhukexin@csci.hk](mailto:zhukexin@csci.hk)  
 +852 3465 5653

**Figure 1: Monthly wind power generation – Longyuan Power (916 HK)**

		Curtailments		Grid-connected capacity (GW)			Power generation (GWh)			Utilization hour		
		2015	2016	2015	2016	Comp.%	May-16	May-17	YoY%	May-16	May-17	YoY%
<b>Eastern China Power Network</b>												
Shanghai	IV			0.05	0.05	0.3%	10.4	10.8	4.2%	219	228	4.2%
Jiangsu	IV			1.68	1.73	10.0%	310.9	315.5	1.5%	185	183	-1.5%
Zhejiang	IV			0.23	0.23	1.3%	30.0	27.3	-9.0%	132	120	-9.0%
Anhui	IV			0.59	0.73	4.2%	170.6	134.5	-21.2%	268	183	-31.6%
Fujian	IV			0.52	0.67	3.9%	83.3	77.7	-6.7%	159	117	-26.7%
<b>Sub-total</b>				<b>3.06</b>	<b>3.40</b>	<b>19.7%</b>	<b>605.1</b>	<b>565.9</b>	<b>-6.5%</b>			
<b>Central China Power Network</b>												
Jiangxi	IV			-	0.04	0.2%	-	5.3	-	-	133	-
Henan	IV					0.0%						
Hubei	IV					0.0%						
Hunan	IV			-	0.05	0.3%	10.8	9.7	-10.4%	225	202	-
Chongqin	IV			0.15	0.15	0.9%	35.5	33.6	-5.3%	237	225	-5.3%
Sichuan	IV					0.0%						
Tibet	IV			0.01	0.01	0.0%	0.8	0.6	-25.2%	109	81	-25.2%
<b>Sub-total</b>				<b>0.16</b>	<b>0.25</b>	<b>1.4%</b>	<b>47.1</b>	<b>49.2</b>	<b>4.5%</b>			
<b>Southern China Power Network</b>												
Guangdong	IV			0.03	0.08	0.4%	2.8	7.0	153.9%	108	93	-13.7%
Guangxi	IV			-	0.10	0.6%	22.0	16.2	-26.5%	459	169	-
Hainan	IV			0.10	0.10	0.6%	3.3	6.8	103.7%	34	69	103.7%
Guizhou	IV			0.54	0.64	3.7%	113.3	121.2	7.0%	191	189	-1.3%
Yunnan	IV	3%	4%	0.62	0.77	4.5%	146.9	147.2	0.2%	237	191	-19.3%
<b>Sub-total</b>				<b>1.28</b>	<b>1.68</b>	<b>9.7%</b>	<b>288.3</b>	<b>298.4</b>	<b>3.5%</b>			
<b>Northern China Power Network</b>												
Beijing	IV					0.0%						
Tianjin	IV			0.13	0.13	0.8%	30.8	29.7	-3.4%	233	225	-3.4%
Hebei	II/IV	10%	9%	1.17	1.17	6.8%	307.4	233.7	-24.0%	263	200	-24.0%
Shanxi	IV	3%	9%	0.65	0.83	4.8%	114.7	119.1	3.8%	177	144	-19.1%
Shandong	IV			0.34	0.39	2.3%	72.7	83.4	14.8%	215	212	-1.2%
Inner Mongolia	I/II	18%	21%	2.59	2.64	15.3%	567.6	508.3	-10.4%	220	193	-12.1%
<b>Sub-total</b>				<b>4.87</b>	<b>5.16</b>	<b>29.9%</b>	<b>1,093.2</b>	<b>974.2</b>	<b>-10.9%</b>			
<b>Northeast China Power Network</b>												
Liaoning	IV	10%	13%	1.00	1.00	5.8%	339.8	287.0	-15.5%	339	286	-15.5%
Jilin	III/IV	31%	30%	0.45	0.55	3.2%	96.6	102.2	5.8%	216	187	-13.4%
Heilongjiang	III/IV	21%	19%	1.23	1.23	7.1%	295.2	298.0	1.0%	239	241	1.0%
<b>Sub-total</b>				<b>2.69</b>	<b>2.79</b>	<b>16.1%</b>	<b>731.6</b>	<b>687.3</b>	<b>-6.1%</b>			
<b>Northwest China Power Network</b>												
Shaanxi	IV		7%	0.20	0.44	2.5%	57.4	65.4	13.9%	290	149	-48.6%
Gansu	II/III	39%	43%	1.29	1.29	7.5%	132.2	228.1	72.6%	102	177	72.6%
Qinghai	IV					0.0%						
Ningxia	III	13%	13%	0.72	0.72	4.2%	95.1	128.0	34.5%	131	177	34.5%
Xinjiang	I/III	32%	38%	1.39	1.54	8.9%	188.0	263.7	40.2%	135	171	26.6%
<b>Sub-total</b>				<b>3.60</b>	<b>4.00</b>	<b>23.1%</b>	<b>472.8</b>	<b>685.2</b>	<b>44.9%</b>			
<b>National total</b>		<b>15%</b>	<b>17%</b>	<b>15.67</b>	<b>17.27</b>		<b>3,238</b>	<b>3,260</b>	<b>0.7%</b>	<b>204</b>	<b>189</b>	<b>-7.3%</b>

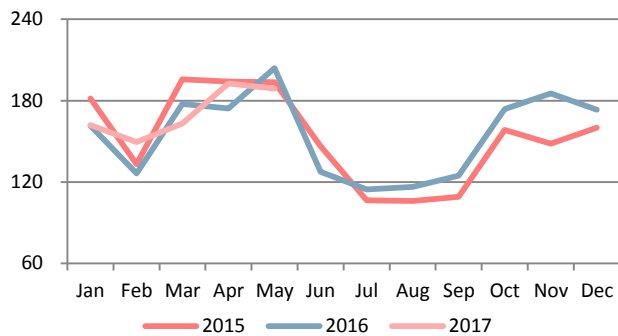
Source: CEC, Company, CSCI Research estimates

**Figure 2: Monthly wind power generation – Huaneng Renewables (958 HK)**

		Curtailments		Grid-connected capacity (GW)			Power generation (GWh)			Utilization hour		
		2015	2016	2015	2016	Comp.%	May-16	May-17	May-17	May-16	May-17	May-17
<b>Eastern China Power Network</b>												
Shanghai	IV			0.11	0.11	1.1%	15.5	17.8	14.4%	144	165	14.4%
Jiangsu	IV											
Zhejiang	IV			0.03	0.07	0.7%	5.3	8.7	63.0%	154	117	-24.5%
Anhui	IV											
Fujian	IV											
<b>Sub-total</b>				<b>0.14</b>	<b>0.18</b>	<b>1.8%</b>	<b>20.9</b>	<b>26.5</b>	<b>26.8%</b>			
<b>Central China Power Network</b>												
Jiangxi	IV											
Henan	IV											
Hubei	IV											
Hunan	IV											
Chongqin	IV											
Sichuan	IV			0.49	0.49	4.8%	77.6	84.5	8.9%	157	171	8.9%
Tibet	IV											
<b>Sub-total</b>				<b>0.49</b>	<b>0.49</b>	<b>4.8%</b>	<b>77.6</b>	<b>84.5</b>	<b>8.9%</b>			
<b>Southern China Power Network</b>												
Guangdong	IV			0.50	0.50	4.9%	76.5	56.0	-26.8%	152	111	-26.8%
Guangxi	IV			-	0.05	0.5%	-	8.9	-	-	180	-
Hainan	IV											
Guizhou	IV			0.73	0.73	7.1%	119.6	115.2	-3.7%	164	158	-3.7%
Yunnan	IV	3%	4%	1.12	1.12	10.9%	278.1	231.3	-16.8%	249	207	-16.8%
<b>Sub-total</b>				<b>2.35</b>	<b>2.40</b>	<b>23.4%</b>	<b>474.3</b>	<b>411.5</b>	<b>-13.2%</b>			
<b>Northern China Power Network</b>												
Beijing	IV											
Tianjin	IV											
Hebei	II/IV	10%	9%	0.36	0.36	3.5%	89.2	77.1	-13.5%	247	213	-13.5%
Shanxi	IV	3%	9%	0.69	0.74	7.3%	134.8	134.2	-0.5%	194	181	-7.1%
Shandong	IV			0.95	1.00	9.8%	166.2	197.8	19.0%	174	197	13.1%
Inner Mongolia	I/II	18%	21%	2.47	2.47	24.1%	586.8	533.9	-9.0%	238	216	-9.0%
<b>Sub-total</b>				<b>4.48</b>	<b>4.57</b>	<b>44.6%</b>	<b>977.0</b>	<b>943.1</b>	<b>-3.5%</b>			
<b>Northeast China Power Network</b>												
Liaoning	IV	10%	13%	1.36	1.40	13.7%	365.0	335.1	-8.2%	269	239	-11.1%
Jilin	III/IV	31%	30%	0.40	0.40	3.9%	63.7	111.2	74.7%	161	281	74.7%
Heilongjiang	III/IV	21%	19%									
<b>Sub-total</b>				<b>1.76</b>	<b>1.80</b>	<b>17.5%</b>	<b>428.7</b>	<b>446.2</b>	<b>4.1%</b>			
<b>Northwest China Power Network</b>												
Shaanxi	IV		7%	0.06	0.36	3.5%	60.3	53.6	-11.2%	1,031	149	-85.5%
Gansu	II/III	39%	43%									
Qinghai	IV											
Ningxia	III	13%	13%									
Xinjiang	I/III	32%	38%	0.45	0.45	4.4%	118.3	86.3	-27.0%	264	193	-27.0%
<b>Sub-total</b>				<b>0.51</b>	<b>0.81</b>	<b>7.9%</b>	<b>178.7</b>	<b>139.9</b>	<b>-21.7%</b>			
<b>National total</b>		<b>15%</b>	<b>17%</b>	<b>9.72</b>	<b>10.25</b>		<b>2,157</b>	<b>2,052</b>	<b>-4.9%</b>	<b>222</b>	<b>200</b>	<b>-9.8%</b>

Source: CEC, Company, CSCI Research estimates

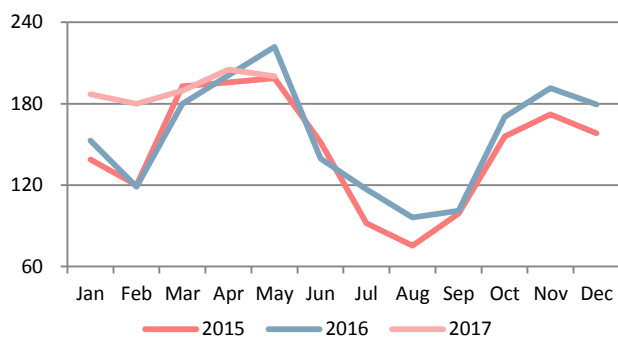
## Valuation at historical trough

**Figure 1: LYP (916 HK) estimated monthly utilization**


Source: Company, CSCI Research Estimates

**Figure 2: LYP (916 HK) historical PER band**


Source: Bloomberg, CSCI Research

**Figure 3: HNR (958 HK) estimated monthly utilization**


Source: Company, CSCI Research Estimates

**Figure 4: HNR (958 HK) historical PER band**


Source: Bloomberg, CSCI Research

**Figure 5: Peer valuation**

Company	Ticker	Close (Local\$)	Mkt cap (USD mn)	EPS Growth (%)		PER (x)		PBR (x)		ROE (%)		Yield (%)		Net Gear (%)	
				FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
<b>Wind Power</b>															
Longyuan	916 HK	5.9	6,019	15%	15%	10.7	9.3	1.0	0.9	10%	10%	1.9%	2.1%	176%	166%
Goldwind	2208 HK	11.6	5,785	5%	8%	8.7	8.1	1.3	1.1	15%	15%	3.0%	3.5%	78%	85%
HN Renew	958 HK	2.5	3,320	6%	18%	7.6	6.4	0.9	0.8	12%	13%	2.0%	2.3%	202%	189%
<b>Average</b>				<b>9%</b>	<b>13%</b>	<b>9.0</b>	<b>7.9</b>	<b>1.1</b>	<b>1.0</b>	<b>12%</b>	<b>13%</b>	<b>2.3%</b>	<b>2.6%</b>	<b>152%</b>	<b>147%</b>
<b>Thermal Power</b>															
Huaneng Power	902 HK	5.9	15,986	-49%	65%	17.6	10.6	1.0	0.9	5%	9%	3.0%	4.9%	254%	229%
CR Power	836 HK	15.5	9,587	-20%	25%	12.0	9.6	1.1	1.0	9%	11%	5.3%	5.5%	131%	126%
Huadian Power	1071 HK	3.5	6,691	-38%	76%	15.3	8.7	0.7	0.6	5%	8%	2.3%	4.5%	206%	193%
China Power	2380 HK	2.8	2,698	-23%	25%	9.9	7.9	0.7	0.6	7%	8%	4.5%	5.8%	172%	169%
<b>Average</b>				<b>-33%</b>	<b>48%</b>	<b>13.7</b>	<b>9.2</b>	<b>0.8</b>	<b>0.8</b>	<b>6%</b>	<b>9%</b>	<b>3.8%</b>	<b>5.2%</b>	<b>191%</b>	<b>179%</b>
<b>Renewable Energy</b>															
Jingneng CE	579 HK	2.4	2,106	16%	8%	6.3	5.8	0.8	0.7	13%	13%	3.7%	7.3%	125%	105%
Huadian Fuxin	816 HK	1.8	1,973	10%	19%	6.2	5.3	0.6	0.6	10%	11%	3.4%	4.1%	295%	279%
Suntien	956 HK	1.5	734	18%	15%	7.6	6.6	0.6	0.6	8%	9%	5.0%	5.7%	187%	204%
CGN New Energy	1811 HK	1.2	627	9%	8%	7.4	6.8	0.8	0.7	10%	10%	1.4%	2.3%	230%	198%
Concord	182 HK	0.3	378	25%	17%	4.4	3.8	0.5	0.4	11%	11%	4.1%	4.1%	115%	124%
<b>Average</b>				<b>16%</b>	<b>13%</b>	<b>6.4</b>	<b>5.7</b>	<b>0.7</b>	<b>0.6</b>	<b>10%</b>	<b>11%</b>	<b>3.5%</b>	<b>4.7%</b>	<b>190%</b>	<b>182%</b>
<b>Nuclear</b>															
CGN Power	1816 HK	2.3	13,056	11%	12%	10.9	9.7	1.4	1.3	13%	14%	2.9%	3.2%	205%	193%

 Date as of 9<sup>th</sup> June, 2017

Source: CSCI Research Estimates, Bloomberg

## Longyuan Power (916 HK)

### Income statement (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
<b>Revenue</b>	<b>19,683</b>	<b>22,304</b>	<b>23,639</b>	<b>25,345</b>	<b>27,214</b>
Other net income	450	647	589	656	729
Material costs	(3,851)	(5,328)	(4,979)	(4,730)	(4,659)
Service concession	(662)	(541)	(433)	(390)	(351)
General and administrative	(1,795)	(2,032)	(2,148)	(2,322)	(2,487)
Repairs and maintenance	(531)	(642)	(709)	(813)	(881)
Other operating expenses	(584)	(518)	(473)	(762)	(703)
<b>EBITDA</b>	<b>12,710</b>	<b>13,890</b>	<b>15,486</b>	<b>16,985</b>	<b>18,862</b>
Depreciation & Amortization	(5,578)	(6,342)	(6,929)	(7,537)	(8,144)
<b>EBIT</b>	<b>7,132</b>	<b>7,548</b>	<b>8,557</b>	<b>9,448</b>	<b>10,718</b>
Net interest	(3,039)	(2,774)	(2,978)	(3,078)	(3,116)
JVs and associates	576	376	321	357	417
<b>Pretax profit</b>	<b>4,669</b>	<b>5,150</b>	<b>5,901</b>	<b>6,727</b>	<b>8,019</b>
Taxation	(601)	(660)	(756)	(862)	(1,028)
Minority & perpetual note	1,189	1,074	1,212	1,363	1,599
<b>Net profit</b>	<b>2,878</b>	<b>3,415</b>	<b>3,933</b>	<b>4,502</b>	<b>5,392</b>
Net profit (adjusted)	2,704	3,258	3,933	4,502	5,392
Basic EPS (Rmb)	0.36	0.42	0.49	0.56	0.67
Diluted EPS (Rmb)	0.36	0.42	0.49	0.56	0.67
DPS (Rmb)	0.07	0.09	0.10	0.11	0.13

### Balance sheet (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
Cash	3,274	1,933	851	1,421	2,154
Short term investments	866	635	635	635	635
Accounts receivables	4,243	5,901	6,476	6,868	7,253
Inventory	1,081	1,040	862	819	807
Other current assets	3,240	3,824	3,824	3,824	3,824
<b>Total current assets</b>	<b>12,704</b>	<b>13,333</b>	<b>12,647</b>	<b>13,567</b>	<b>14,672</b>
PP&E	98,997	105,598	112,488	118,804	124,541
Intangible Assets	10,702	10,997	11,081	11,100	11,058
Associates and JVs	4,822	4,483	4,804	5,161	5,578
Other long term assets	6,643	4,250	4,250	4,250	4,250
<b>Total long term assets</b>	<b>121,164</b>	<b>125,328</b>	<b>132,624</b>	<b>139,315</b>	<b>145,427</b>
<b>TOTAL ASSETS</b>	<b>133,867</b>	<b>138,661</b>	<b>145,271</b>	<b>152,882</b>	<b>160,099</b>
Short term debt	44,977	44,511	44,511	40,064	36,061
Accounts payables	10,867	11,120	11,210	11,618	12,054
Other current liabilities	156	176	176	176	176
<b>Total current liabilities</b>	<b>56,000</b>	<b>55,807</b>	<b>55,897</b>	<b>51,858</b>	<b>48,292</b>
Long term debt	29,970	31,788	33,981	40,685	45,512
Deferred tax	106	138	138	138	138
Other long term liabilities	3,217	3,141	3,141	3,141	3,141
<b>Total long term liabilities</b>	<b>33,293</b>	<b>35,067</b>	<b>37,260</b>	<b>43,964</b>	<b>48,791</b>
<b>TOTAL LIABILITIES</b>	<b>89,293</b>	<b>90,874</b>	<b>93,157</b>	<b>95,822</b>	<b>97,083</b>
Shareholders' funds	35,145	37,899	41,148	44,864	49,356
Perpetual medium-term note	2,991	2,991	2,991	2,991	2,991
Minority Interests	6,439	6,896	7,975	9,204	10,670
<b>TOTAL LIAB AND EQUITY</b>	<b>133,867</b>	<b>138,661</b>	<b>145,271</b>	<b>152,882</b>	<b>160,099</b>
Net cash / (debt)	(71,672)	(74,366)	(77,641)	(79,327)	(79,419)

Source: Company, CSC Research estimates

### Cash flow statement (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
<b>Pretax profit</b>	<b>4,669</b>	<b>5,150</b>	<b>5,901</b>	<b>6,727</b>	<b>8,019</b>
Depreciation & amortisation	5,578	6,342	6,929	7,537	8,144
Net interest	2,685	2,602	3,016	3,117	3,154
Taxes paid	(526)	(634)	(756)	(862)	(1,028)
Changes in working capital	4,128	483	(307)	59	63
Others	(227)	(411)	(359)	(396)	(455)
<b>Cash flow from operations</b>	<b>16,307</b>	<b>13,533</b>	<b>14,422</b>	<b>16,182</b>	<b>17,897</b>
Capex	(15,264)	(13,990)	(13,904)	(13,871)	(13,839)
Acquisitions	(877)	(68)	(0)	(0)	(0)
Disposals	3	220	-	-	-
Others	(182)	2,630	111	98	132
<b>Cash flow from investing</b>	<b>(16,319)</b>	<b>(11,209)</b>	<b>(13,792)</b>	<b>(13,773)</b>	<b>(13,707)</b>
Dividends	(1,174)	(1,306)	(683)	(787)	(900)
Issue of shares	412	147	-	-	-
Change in debt	4,870	1,322	2,193	2,257	824
Others	(3,582)	(3,447)	(3,222)	(3,309)	(3,381)
<b>Cash flow from financing</b>	<b>525</b>	<b>(3,284)</b>	<b>(1,712)</b>	<b>(1,839)</b>	<b>(3,457)</b>
<b>Change in cash</b>	<b>513</b>	<b>(961)</b>	<b>(1,082)</b>	<b>570</b>	<b>733</b>
Free cash flow	1,043	(458)	519	2,312	4,058

### Key ratios

Year end: Dec	2015	2016	2017E	2018E	2019E
<b>Operating ratios</b>					
EBIT margin (%)	36.2	33.8	36.2	37.3	39.4
EBITDA margin (%)	64.6	62.3	65.5	67.0	69.3
Effective tax rate (%)	12.9	12.8	12.8	12.8	12.8
Revenue growth (%)	8.0	13.3	6.0	7.2	7.4
Net income growth (%)	12.7	18.7	15.1	14.5	19.8
EPS growth adj (%)	12.7	18.7	15.1	14.5	19.8
DPS growth (%)	20.1	18.5	15.1	14.5	19.8
<b>Efficiency ratios</b>					
ROE (%)	8.2	9.0	9.6	10.0	10.9
ROCE (%)	9.2	9.1	9.6	9.4	9.6
Asset turnover (x)	0.1	0.2	0.2	0.2	0.2
Op cash / EBIT (x)	2.3	1.8	1.7	1.7	1.7
Depreciation / CAPEX (x)	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)
Accounts receivable days	98.8	83.0	95.6	96.1	94.7
<b>Leverage ratios</b>					
Net debt / assets (%)	53.5	53.6	53.4	51.9	49.6
Net gearing (%)	187.9	181.9	175.9	165.8	151.7
Net debt / EBITDA (x)	5.6	5.4	5.0	4.7	4.2
Interest cover (x)	2.7	2.9	2.8	3.0	3.4
Current ratio (x)	0.2	0.2	0.2	0.3	0.3
<b>Valuation</b>					
PER (x)	14.6	12.3	10.7	9.3	7.8
EV/EBITDA (x)	9.8	9.6	8.8	8.2	7.6
PBR (x)	1.2	1.1	1.0	0.9	0.9
Dividend yield (x)	1.4	1.6	1.9	2.1	2.6

## Huaneng Renewables (958 HK)

### Income statement (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
<b>Revenue</b>	<b>7,357</b>	<b>9,239</b>	<b>10,507</b>	<b>11,661</b>	<b>12,905</b>
Other net income	435	322	289	320	354
Material costs	-	-	-	-	-
Service concession	-	-	-	-	-
General and administrative	(559)	(626)	(755)	(863)	(955)
Repairs and maintenance	(109)	(189)	(246)	(273)	(299)
Other operating expenses	(272)	(375)	(414)	(459)	(508)
<b>EBITDA</b>	<b>6,851</b>	<b>8,370</b>	<b>9,380</b>	<b>10,386</b>	<b>11,496</b>
Depreciation & Amortization	(2,735)	(3,462)	(3,578)	(3,935)	(4,289)
<b>EBIT</b>	<b>4,116</b>	<b>4,908</b>	<b>5,802</b>	<b>6,451</b>	<b>7,207</b>
Net interest	(2,073)	(1,995)	(2,447)	(2,499)	(2,560)
JVs and associates	(3)	(3)	(2)	(3)	(2)
<b>Pretax profit</b>	<b>2,041</b>	<b>2,910</b>	<b>3,353</b>	<b>3,949</b>	<b>4,645</b>
Taxation	(141)	(202)	(232)	(274)	(322)
Minority	40	49	57	67	78
<b>Net profit</b>	<b>1,860</b>	<b>2,659</b>	<b>3,064</b>	<b>3,609</b>	<b>4,245</b>
Net profit (adjusted)	1,616	2,614	3,064	3,609	4,245
Basic EPS (Rmb)	0.19	0.27	0.29	0.34	0.40
Diluted EPS (Rmb)	0.19	0.27	0.29	0.34	0.40
DPS (Rmb)	0.03	0.04	0.04	0.05	0.06

### Balance sheet (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
Cash	4,504	2,570	3,537	1,984	1,525
Short term investments	-	-	-	-	-
Accounts receivables	2,900	4,635	5,253	5,247	5,162
Inventory	43	33	33	33	33
Other current assets	205	1,457	1,457	1,457	1,457
<b>Total current assets</b>	<b>7,652</b>	<b>8,696</b>	<b>10,281</b>	<b>8,722</b>	<b>8,177</b>
PP&E	68,658	72,107	76,471	82,324	87,753
Intangible Assets	682	654	620	587	553
Associates and JVs	109	106	104	102	99
Other long term assets	5,452	3,883	3,913	3,951	3,987
<b>Total long term assets</b>	<b>74,901</b>	<b>76,749</b>	<b>81,108</b>	<b>86,963</b>	<b>92,392</b>
<b>TOTAL ASSETS</b>	<b>82,553</b>	<b>85,445</b>	<b>91,389</b>	<b>95,685</b>	<b>100,569</b>
Short term debt	19,223	22,998	23,458	23,927	24,405
Accounts payables	9,250	7,440	7,440	7,440	7,440
Other current liabilities	60	80	80	80	80
<b>Total current liabilities</b>	<b>28,533</b>	<b>30,517</b>	<b>30,977</b>	<b>31,446</b>	<b>31,925</b>
Long term debt	32,695	29,955	30,554	31,165	31,789
Deferred tax	20	3,743	3,743	3,743	3,743
Other long term liabilities	2,680	235	235	235	235
<b>Total long term liabilities</b>	<b>35,395</b>	<b>33,933</b>	<b>34,533</b>	<b>35,144</b>	<b>35,767</b>
<b>TOTAL LIABILITIES</b>	<b>63,928</b>	<b>64,451</b>	<b>65,510</b>	<b>66,590</b>	<b>67,692</b>
Shareholders' funds	17,798	20,137	24,966	28,115	31,819
Perpetual medium-term note	-	-	-	-	-
Minority Interests	827	857	913	980	1,059
<b>TOTAL LIAB AND EQUITY</b>	<b>82,553</b>	<b>85,445</b>	<b>91,389</b>	<b>95,685</b>	<b>100,569</b>
Net cash / (debt)	(47,414)	(50,383)	(50,475)	(53,108)	(54,669)

Source: Company, CSCI Research estimates

### Cash flow statement (Rmb mn)

Year end: Dec	2015	2016E	2017E	2018E	2019E
<b>Pretax profit</b>	<b>2,041</b>	<b>2,910</b>	<b>3,353</b>	<b>3,949</b>	<b>4,645</b>
Depreciation & amortisation	2,735	3,462	3,578	3,935	4,289
Net interest	2,197	2,090	2,447	2,499	2,560
Taxes paid	(126)	(179)	(232)	(274)	(322)
Changes in working capital	967	(844)	(618)	6	85
Others	(132)	(101)	2	3	2
<b>Cash flow from operations</b>	<b>7,682</b>	<b>7,338</b>	<b>8,530</b>	<b>10,118</b>	<b>11,260</b>
Capex	(12,644)	(7,877)	(7,940)	(9,793)	(9,720)
Acquisitions	(144)	(16)	0	0	-
Disposals	(324)	-	-	-	-
Others	598	524	30	27	17
<b>Cash flow from investing</b>	<b>(12,514)</b>	<b>(7,370)</b>	<b>(7,910)</b>	<b>(9,766)</b>	<b>(9,703)</b>
Dividends	(214)	(316)	(399)	(460)	(541)
Issue of shares	39	35	2,163	0	0
Change in debt	4,396	632	1,059	1,080	1,102
Others	(2,443)	(2,209)	(2,477)	(2,526)	(2,577)
<b>Cash flow from financing</b>	<b>1,778</b>	<b>(1,858)</b>	<b>347</b>	<b>(1,905)</b>	<b>(2,016)</b>
<b>Change in cash</b>	<b>(3,054)</b>	<b>(1,889)</b>	<b>967</b>	<b>(1,553)</b>	<b>(459)</b>
Free cash flow	(4,962)	(538)	591	326	1,540

### Key ratios

Year end: Dec	2015	2016	2017E	2018E	2019E
<b>Operating ratios</b>					
EBIT margin (%)	56.0	53.1	55.2	55.3	55.9
EBITDA margin (%)	93.1	90.6	89.3	89.1	89.1
Effective tax rate (%)	6.9	6.9	6.9	6.9	6.9
Revenue growth (%)	19.6	25.6	13.7	11.0	10.7
Net income growth (%)	65.9	43.0	15.2	17.8	17.6
EPS growth adj (%)	54.2	43.0	6.1	17.8	17.6
DPS growth (%)	50.0	36.7	6.1	17.8	17.6
<b>Efficiency ratios</b>					
ROE (%)	10.4	13.2	12.3	12.8	13.3
ROCE (%)	7.6	8.9	9.6	10.0	10.5
Asset turnover (x)	0.1	0.1	0.1	0.1	0.1
Op cash / EBIT (x)	1.9	1.5	1.5	1.6	1.6
Depreciation / CAPEX (x)	(0.2)	(0.4)	(0.5)	(0.4)	(0.4)
Accounts receivable days	143.9	183.1	182.5	164.3	146.0
<b>Leverage ratios</b>					
Net debt / assets (%)	57.4	59.0	55.2	55.5	54.4
Net gearing (%)	266.4	250.2	202.2	188.9	171.8
Net debt / EBITDA (x)	6.9	6.0	5.4	5.1	4.8
Interest cover (x)	1.9	2.3	2.4	2.6	2.8
Current ratio (x)	0.3	0.3	0.3	0.3	0.3
<b>Valuation</b>					
PER (x)	11.5	8.0	7.6	6.4	5.5
EV/EBITDA (x)	11.3	9.4	8.7	7.8	7.1
PBR (x)	1.2	1.1	0.9	0.8	0.7
Dividend yield (%)	1.4	1.9	2.0	2.3	2.7



## Research

**LIU Taisheng, Steven**  
TMT  
(852) 3465 5652  
[stevenliu@csci.hk](mailto:stevenliu@csci.hk)

**SO Lai Shan, Jennifer**  
Consumer  
(852) 3465 5781  
[jenniferso@csci.hk](mailto:jenniferso@csci.hk)

**CHAN Ka Yeung, Duncan**  
Commodity  
(852) 3465 5654  
[duncanchan@csci.hk](mailto:duncanchan@csci.hk)

**TIAN Yang**  
Automotive  
(852) 3465 5775  
[tianyang@csci.hk](mailto:tianyang@csci.hk)

**SUN Lingxiao, Roger**  
Industrials  
(852) 3465 5785  
[rogersun@csci.hk](mailto:rogersun@csci.hk)

**XU Bo, Albert**  
Financials  
(852) 3465 5789  
[albertxu@csci.hk](mailto:albertxu@csci.hk)

**ZHU Kexin**  
Renewable energy  
(852) 3465 5653  
[zhukexin@csci.hk](mailto:zhukexin@csci.hk)

**YAO Xue, Snowy**  
[snowyyao@csci.hk](mailto:snowyyao@csci.hk)  
+852 3465 5675

**SHEN Xiangfei, Thomas**  
(852) 3465 8689  
[thomasshen@csci.hk](mailto:thomasshen@csci.hk)

**XU Qiwen**  
(852) 3465 8690  
[xuqiwen@csci.hk](mailto:xuqiwen@csci.hk)

## Institutional Sales & Trading

**XIANG Xinrong, Ron**  
(852) 3465 5633  
[ronxiang@csci.hk](mailto:ronxiang@csci.hk)

**CAO Xiaogang, Glen**  
(852) 3465 5658  
[caoxiaogang@csci.hk](mailto:caoxiaogang@csci.hk)

**HO Wen Hao, Jack**  
(852) 3465 5685  
[jackho@csci.hk](mailto:jackho@csci.hk)

**WANG Zhuo, Gary**  
(852) 3465 8655  
[wangzhuo@csci.hk](mailto:wangzhuo@csci.hk)

**HO Hung Wei**  
(852) 3465 5687  
[hohungwei@csci.hk](mailto:hohungwei@csci.hk)

**LEE Ying Ju, Rose**  
(852) 3465 5707  
[roselee@csci.hk](mailto:roselee@csci.hk)

**LI Jiageng, Mike**  
(852) 3465 5636  
[mikeli@csci.hk](mailto:mikeli@csci.hk)

**XIA Tian**  
(852) 3465 5670  
[xiatian@csci.hk](mailto:xiatian@csci.hk)

**XU Xiaowei, Vincent**  
(852) 3465 5795  
[vincentxu@csci.hk](mailto:vincentxu@csci.hk)

**LI Tianyi, Miranda**  
(852) 3465 8653  
[mirandali@csci.hk](mailto:mirandali@csci.hk)



## Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index; Time Horizon: 12 months

<b>Buy</b>	12-month absolute total return: $\geq 10\%$
<b>Hold</b>	12-month absolute total return: $> -10\%$ but $< 10\%$
<b>Sell</b>	12-month absolute total return: $\leq -10\%$

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### China Securities (International) Research

18/F, Two Exchange Square, Central, Hong Kong

Tel: (852) 34655600 Fax: (852) 21809495

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