



Wind Power Monthly

June outputs regain growth, curtailments continued to ease

	Ticker	Rec	Mkt cap		Price	PT	Up/ dn (%)	EPS growth (%)		PER (x)		PBR (x)	
			(USD mn)	Ccy				2017E	2018E	2017E	2018E	2017E	2018E
Longyuan Power	916 HK	BUY	5,648	HKD	5.49	7.51	+37%	15.1	14.6	9.9	8.6	0.9	0.9
Huaneng Renewables	958 HK	BUY	3,260	HKD	2.41	3.22	+33%	6.1	17.9	7.3	6.2	0.9	0.8

Source: Company data, CSCI Research estimates; prices as of 11 July 2017

- Longyuan Power (LYP) and Huaneng Renewables (HNR) reported a 9.9% YoY and 1.5% YoY increase in their Jun-2017 domestic wind power output respectively. We estimate their monthly utilizations have slightly risen by 0.8% and dropped by 3.8% YoY, respectively.
- Curtailments continued to ease with both LYP and HNR achieving year-over-year and sequential improvements in June, yet the positives have been partly offset by weak wind resources, particularly in Hebei, Inner Mongolia, Guizhou and Liaoning; and the maintenance of local power infrastructure also exerted certain negative impacts, i.e. Gansu for LYP and Sichuan for HNR.
- Although recent market sentiments have been weak towards the wind power sector due to the lack of new positive catalysts, we reiterate our BUY rating on LYP and HNR on the back of their intact growth outlook and undemanding valuations.

June regains growth after stagnant May outputs. LYP announced Jun-17 power generation of 3,065GWh (up 6.1% YoY), driven by a 9.9% growth in domestic wind power generation (accounting for 72% of total output), whereas coal power generation decreased slightly by 1.1% (26% of total output) and the output of its Canadian wind project and other renewables declined by 8.5% and 18.7% respectively. Meanwhile, HNR reported total power generation of 1,479GWh (up 2.4% YoY), on the back of a 1.5% YoY growth in wind power output (93% of total output) and 16.9% YoY growth in solar power output (7% of total output).

Improving curtailments partly offset by weak wind resources. Regional wise, LYP only posted declines in Northern China, as Hebei and Inner Mongolia continued to suffer from weak wind resources since May (est. utilization close to its 2014 level), whilst the Eastern, Northeast and Northwest regions all recorded solid growth with double-digit percentage upticks in utilization. Meanwhile, Gansu also posted notable decline in power output due to local grid maintenance, but its curtailment rate has been reduced to below 30% according to the management (vs. industry average of 46% in 2Q16 and 37% in 1Q17). And as for HNR, power outputs more than tripled in Yunnan and more than doubled in Jilin, yet the output increases have been offset by the major declines in Guizhou, Liaoning, Sichuan and Inner Mongolia. Guizhou and Liaoning encountered weak wind resources in June, which is consistent with LYP; noteworthy, the management indicated that power dispatch was no longer curtailed in Liaoning (vs. 3% in 2Q16 and 16% in 1Q17). The record-low utilization in Sichuan was caused by the renewal of booster station, which led to nearly 50% of the capacity being halted for half a month; similarly, Inner Mongolia was affected by the maintenance and construction of UHV in Inner Mongolia East. Overall, LYP and HNR recorded a 9% and 6% curtailment in June respectively, with both achieving year-over-year and sequential improvements.

Reiterate BUY on LYP and HNR given intact growth and undemanding valuation. LYP is currently trading at 12M forward PER/PBR of 9.2x/0.9x (FY17 PER/PBR of 9.9x/0.9x), while HNR is trading at 12M forward PER/PBR of 6.6x/0.8x (FY17 PER/PBR of 7.3x/0.9x), both are over 1SD below their historical average.

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

		Curtailments		Grid-connected capacity (GW)			Power generation (GWh)			Utilization hour		
		2015	2016	2015	2016	%	Jun-16	Jun-17	YoY%	Jun-16	Jun-17	YoY%
Shanghai	IV			0.05	0.05	0.3%	7.2	7.3	0.3%	153	153	0.3%
Jiangsu	IV			1.68	1.73	10.0%	211.3	254.1	20.3%	126	147	16.8%
Zhejiang	IV			0.23	0.23	1.3%	30.7	25.7	-16.2%	135	113	-16.2%
Anhui	IV			0.59	0.73	4.2%	90.5	101.3	11.9%	142	138	-2.9%
Fujian	IV			0.52	0.67	3.9%	71.3	103.9	45.8%	136	156	14.5%
Sub-total				3.06	3.40	19.7%	411.0	492.3	19.8%			
Jiangxi	IV			-	0.04	0.2%	-	6.9	-	-	173	-
Henan	IV					0.0%						
Hubei	IV					0.0%						
Hunan	IV			-	0.05	0.3%	9.0	10.7	19.4%	187	223	-
Chongqin	IV			0.15	0.15	0.9%	19.2	22.2	16.0%	128	149	16.0%
Sichuan	IV					0.0%						
Tibet	IV			0.01	0.01	0.0%	0.6	0.5	-21.1%	84	66	-21.1%
Sub-total				0.16	0.25	1.4%	28.8	40.4	40.3%			
Guangdong	IV			0.03	0.08	0.4%	1.5	9.7	560.0%	57	128	124.3%
Guangxi	IV			-	0.10	0.6%	19.8	9.5	-51.9%	413	100	-
Hainan	IV			0.10	0.10	0.6%	2.9	6.9	142.0%	29	70	142.0%
Guizhou	IV			0.54	0.64	3.7%	79.6	64.0	-19.7%	134	100	-25.9%
Yunnan	IV	3%	4%	0.62	0.77	4.5%	103.0	131.0	27.2%	166	170	2.4%
Sub-total				1.28	1.68	9.7%	206.8	221.1	6.9%			
Beijing	IV					0.0%						
Tianjin	IV			0.13	0.13	0.8%	19.7	26.2	33.0%	149	198	33.0%
Hebei	II/IV	10%	9%	1.17	1.17	6.8%	143.8	115.7	-19.6%	123	99	-19.6%
Shanxi	IV	3%	9%	0.65	0.83	4.8%	73.1	84.4	15.5%	113	102	-10.0%
Shandong	IV			0.34	0.39	2.3%	55.3	58.5	5.7%	163	149	-9.0%
Inner Mongolia	I/II	18%	21%	2.59	2.64	15.3%	309.4	284.4	-8.1%	120	108	-9.8%
Sub-total				4.87	5.16	29.9%	601.3	569.1	-5.4%			
Liaoning	IV	10%	13%	1.00	1.00	5.8%	168.0	151.0	-10.1%	168	151	-10.1%
Jilin	III/IV	31%	30%	0.45	0.55	3.2%	39.1	59.4	52.0%	87	109	24.4%
Heilongjiang	III/IV	21%	19%	1.23	1.23	7.1%	107.7	162.0	50.4%	87	131	50.4%
Sub-total				2.69	2.79	16.1%	314.8	372.4	18.3%			
Shaanxi	IV		7%	0.20	0.44	2.5%	38.0	45.8	20.5%	192	104	-45.7%
Gansu	II/III	39%	43%	1.29	1.29	7.5%	141.5	115.4	-18.5%	110	89	-18.5%
Qinghai	IV					0.0%						
Ningxia	III	13%	13%	0.72	0.72	4.2%	85.4	109.4	28.0%	118	151	28.0%
Xinjiang	I/III	32%	38%	1.39	1.54	8.9%	184.3	244.7	32.8%	132	159	19.8%
Sub-total				3.60	4.00	23.1%	449.3	515.2	14.7%			
National total		15%	17%	15.67	17.27		2,012	2,211	9.9%	127	128	0.8%

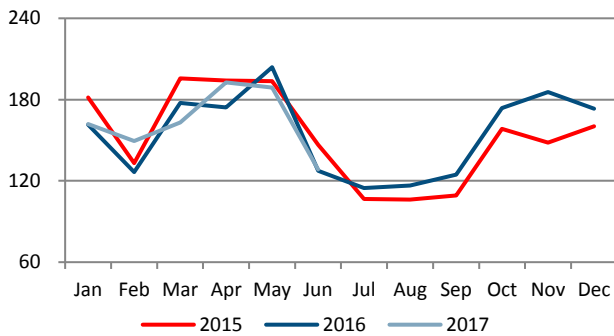
Source: CEC, Company, CSCI Research estimates

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

		Curtailments		Grid-connected capacity (GW)			Power generation (GWh)			Utilization hour		
		2015	2016	2015	2016	%	Jun-16	Jun-17	YoY%	Jun-16	Jun-17	YoY%
Shanghai	IV			0.11	0.11	1.1%	8.4	9.0	6.9%	78	83	6.9%
Jiangsu	IV											
Zhejiang	IV			0.03	0.07	0.7%	5.6	12.7	127.8%	161	170	5.5%
Anhui	IV											
Fujian	IV											
Sub-total				0.14	0.18	1.8%	14.0	21.7	55.0%			
Jiangxi	IV											
Henan	IV											
Hubei	IV											
Hunan	IV											
Chongqin	IV											
Sichuan	IV			0.49	0.49	4.8%	56.8	31.2	-45.1%	115	63	-45.1%
Tibet	IV											
Sub-total				0.49	0.49	4.8%	56.8	31.2	-45.1%			
Guangdong	IV			0.50	0.50	4.9%	56.8	72.3	27.3%	113	144	27.3%
Guangxi	IV			-	0.05	0.5%	-	8.0	-	-	162	-
Hainan	IV											
Guizhou	IV			0.73	0.73	7.1%	94.6	58.8	-37.9%	130	81	-37.9%
Yunnan	IV	3%	4%	1.12	1.12	10.9%	195.7	268.2	37.0%	175	240	37.0%
Sub-total				2.35	2.40	23.4%	347.1	407.3	17.3%			
Beijing	IV											
Tianjin	IV											
Hebei	II/IV	10%	9%	0.36	0.36	3.5%	43.1	43.3	0.5%	119	120	0.5%
Shanxi	IV	3%	9%	0.69	0.74	7.3%	75.4	72.2	-4.3%	109	97	-10.7%
Shandong	IV			0.95	1.00	9.8%	135.5	140.6	3.7%	142	140	-1.4%
Inner Mongolia	I/II	18%	21%	2.47	2.47	24.1%	312.1	288.8	-7.5%	127	117	-7.5%
Sub-total				4.48	4.57	44.6%	566.2	544.8	-3.8%			
Liaoning	IV	10%	13%	1.36	1.40	13.7%	202.6	174.3	-14.0%	149	124	-16.6%
Jilin	III/IV	31%	30%	0.40	0.40	3.9%	28.6	54.7	91.2%	72	138	91.2%
Heilongjiang	III/IV	21%	19%									
Sub-total				1.76	1.80	17.5%	231.2	229.0	-1.0%			
Shaanxi	IV		7%	0.06	0.36	3.5%	41.8	54.1	29.5%	116	151	29.5%
Gansu	II/III	39%	43%									
Qinghai	IV											
Ningxia	III	13%	13%									
Xinjiang	I/III	32%	38%	0.45	0.45	4.4%	100.6	89.7	-10.8%	225	201	-10.8%
Sub-total				0.51	0.81	7.9%	142.3	143.8	1.0%			
National total		15%	17%	9.72	10.25		1,358	1,378	1.5%	140	134	-3.8%

Source: CEC, Company, CSCI Research estimates

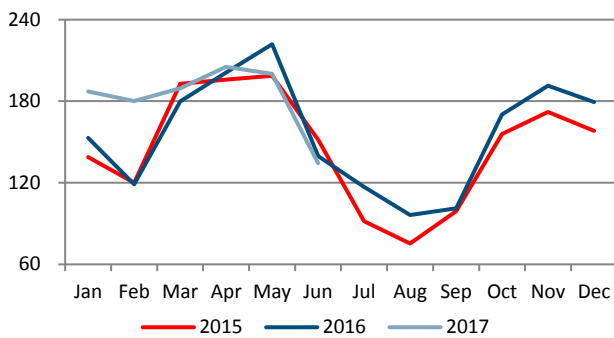
Valuation at historical trough

Figure 3: LYP (916 HK) estimated monthly utilization


Source: Company, CSCI Research Estimates

Figure 4: LYP (916 HK) historical PER band


Source: Bloomberg, CSCI Research

Figure 5: HNR (958 HK) estimated monthly utilization


Source: Company, CSCI Research Estimates

Figure 6: HNR (958 HK) historical PER band


Source: Bloomberg, CSCI Research

Figure 7: 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
Wind Power															
Longyuan	916 HK	5.5	5,648	15%	15%	9.9	8.6	0.9	0.9	10%	10%	2.0%	2.3%	176%	166%
Goldwind	2208 HK	8.7	5,738	3%	8%	8.7	8.0	1.2	1.1	15%	15%	2.9%	3.5%	77%	84%
HN Renew	958 HK	2.4	3,260	6%	18%	7.3	6.2	0.9	0.8	12%	13%	2.1%	2.4%	202%	189%
Average				8%	14%	8.6	7.6	1.0	0.9	12%	12%	2.3%	2.7%	152%	146%
Thermal Power															
Huaneng Power	902 HK	5.4	14,404	-50%	75%	16.6	9.5	0.9	0.8	5%	9%	2.9%	5.5%	250%	224%
CR Power	836 HK	15.1	9,286	-20%	28%	11.6	9.0	1.0	1.0	9%	11%	5.7%	5.8%	127%	124%
Huadian Power	1071 HK	3.3	6,411	-43%	90%	15.4	8.1	0.6	0.6	5%	8%	2.2%	4.8%	202%	188%
China Power	2380 HK	2.8	2,608	-21%	25%	9.4	7.5	0.6	0.6	7%	8%	4.3%	6.1%	158%	171%
Average				-34%	55%	13.3	8.5	0.8	0.7	6%	9%	3.8%	5.6%	184%	177%
Renewable Energy															
Jingneng CE	579 HK	2.3	1,979	12%	8%	6.0	5.6	0.8	0.7	13%	13%	3.9%	4.4%	119%	103%
Huadian Fuxin	816 HK	1.8	1,948	8%	21%	6.3	5.2	0.6	0.6	10%	11%	3.4%	4.3%	304%	288%
Suntien	956 HK	1.6	742	18%	15%	7.8	6.7	0.6	0.6	8%	9%	4.9%	5.6%	187%	204%
CGN New Energy	1811 HK	1.1	599	-9%	21%	8.4	6.9	0.7	0.7	9%	10%	1.5%	2.5%	230%	198%
Concord	182 HK	0.3	372	22%	17%	4.4	3.8	0.5	0.4	11%	11%	4.2%	4.2%	81%	97%
Average				10%	17%	6.6	5.6	0.6	0.6	10%	11%	3.6%	4.2%	184%	178%
Nuclear															
CGN Power	1816 HK	2.2	12,857	12%	11%	10.6	9.5	1.4	1.2	13%	14%	3.0%	3.3%	204%	192%

 Date as of 11th July, 2017

Source: CSCI Research Estimates, Bloomberg

Longyuan Power (916 HK)

Income statement (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
Revenue	19,683	22,304	23,639	25,345	27,214
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)
EBITDA	12,710	13,890	15,486	16,985	18,862
Depreciation & Amortization	(5,578)	(6,342)	(6,929)	(7,537)	(8,144)
EBIT	7,132	7,548	8,557	9,448	10,718
Net interest	(3,039)	(2,774)	(2,978)	(3,078)	(3,116)
JVs and associates	576	376	321	357	417
Pretax profit	4,669	5,150	5,901	6,727	8,019
Taxation	(601)	(660)	(756)	(862)	(1,028)
Minority & perpetual note	1,189	1,074	1,212	1,363	1,599
Net profit	2,878	3,415	3,933	4,502	5,392
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
Total current assets	12,704	13,333	12,647	13,567	14,672
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
Total long term assets	121,164	125,328	132,624	139,315	145,427
TOTAL ASSETS	133,867	138,661	145,271	152,882	160,099
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
Total current liabilities	56,000	55,807	55,897	51,858	48,292
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
Total long term liabilities	33,293	35,067	37,260	43,964	48,791
TOTAL LIABILITIES	89,293	90,874	93,157	95,822	97,083
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
TOTAL LIAB AND EQUITY	133,867	138,661	145,271	152,882	160,099
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
Pretax profit	4,669	5,150	5,901	6,727	8,019
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)
Cash flow from operations	16,307	13,533	14,422	16,182	17,897
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
Cash flow from investing	(16,319)	(11,209)	(13,792)	(13,773)	(13,707)
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)
Cash flow from financing	525	(3,284)	(1,712)	(1,839)	(3,457)
Change in cash	513	(961)	(1,082)	570	733
Free cash flow	1,043	(458)	519	2,312	4,058

Key ratios

Year end: Dec	2015	2016	2017E	2018E	2019E
Operating ratios					
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
Efficiency ratios					
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
Leverage ratios					
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
Valuation					
PER (x)	13.5	11.4	9.9	8.6	7.2
EV/EBITDA (x)	9.8	9.6	8.8	8.2	7.6
PBR (x)	1.1	1.0	0.9	0.9	0.8
Dividend yield (x)	1.5	1.8	2.0	2.3	2.8

Huaneng Renewables (958 HK)

Income statement (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
Revenue	7,357	9,239	10,507	11,661	12,905
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)
EBITDA	6,851	8,370	9,380	10,386	11,496
Depreciation & Amortization	(2,735)	(3,462)	(3,578)	(3,935)	(4,289)
EBIT	4,116	4,908	5,802	6,451	7,207
Net interest	(2,073)	(1,995)	(2,447)	(2,499)	(2,560)
JVs and associates	(3)	(3)	(2)	(3)	(2)
Pretax profit	2,041	2,910	3,353	3,949	4,645
Taxation	(141)	(202)	(232)	(274)	(322)
Minority	40	49	57	67	78
Net profit	1,860	2,659	3,064	3,609	4,245
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
Total current assets	7,652	8,696	10,281	8,722	8,177
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
Total long term assets	74,901	76,749	81,108	86,963	92,392
TOTAL ASSETS	82,553	85,445	91,389	95,685	100,569
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
Total current liabilities	28,533	30,517	30,977	31,446	31,925
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
Total long term liabilities	35,395	33,933	34,533	35,144	35,767
TOTAL LIABILITIES	63,928	64,451	65,510	66,590	67,692
Shareholders' funds	17,798	20,137	24,966	28,115	31,819
Perpetual medium-term note	-	-	-	-	-
Minority Interests	827	857	913	980	1,059
TOTAL LIAB AND EQUITY	82,553	85,445	91,389	95,685	100,569
Net cash / (debt)	(47,414)	(50,383)	(50,475)	(53,108)	(54,669)

Cash flow statement (Rmb mn)

Year end: Dec	2015	2016E	2017E	2018E	2019E
Pretax profit	2,041	2,910	3,353	3,949	4,645
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
Cash flow from operations	7,682	7,338	8,530	10,118	11,260
Capex	(12,644)	(7,877)	(7,940)	(9,793)	(9,720)
Acquisitions	(144)	(16)	0	0	-
Disposals	(324)	-	-	-	-
Others	598	524	30	27	17
Cash flow from investing	(12,514)	(7,370)	(7,910)	(9,766)	(9,703)
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)
Cash flow from financing	1,778	(1,858)	347	(1,905)	(2,016)
Change in cash	(3,054)	(1,889)	967	(1,553)	(459)
Free cash flow	(4,962)	(538)	591	326	1,540

Key ratios

Year end: Dec	2015	2016	2017E	2018E	2019E
Operating ratios					
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
Efficiency ratios					
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
Leverage ratios					
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
Valuation					
PER (x)	11.1	7.7	7.3	6.2	5.3
EV/EBITDA (x)	11.3	9.4	8.6	7.7	7.1
PBR (x)	1.2	1.0	0.9	0.8	0.7
Dividend yield (%)	1.4	1.9	2.1	2.4	2.8

Source: Company, CSCI Research estimates



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Company Rating Definition

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

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

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