



Wind Power Monthly

Solid volume growth in the windy season

	Ticker	Rec	Mkt cap		Price	PT	Up/ dn (%)	EPS growth (%)		PER (x)		PBR (x)	
			(HKD mn)	Ccy				2017E	2018E	2017E	2018E	2017E	2018E
Longyuan Power	916 HK	BUY	45,647	HKD	5.68	6.30	+11%	8.7	18.5	9.9	8.4	0.9	0.8
Huaneng Renewables	958 HK	BUY	25,888	HKD	2.45	3.00	+22%	11.7	12.1	6.8	6.1	0.9	0.8

Source: company data; CSCI Research estimates (prices as of 11 December 2017)

- **Nov-17 saw solid wind power output among major wind power plays, with 20.0% YoY and 25.4% YoY increase for Longyuan Power (LYP) and Huaneng Renewables (HNR), respectively, which was mainly attributable to the wind speed rebound and power consumption pick-up in North and Northeast China entering the winter season, in our view.**
- **LYP and HNR posted a 4.0 ppt and 5.0 ppt drop YoY in curtailment rate in November, respectively. Meanwhile, the monthly overall utilisation hours of LYP and HNR reached 212 and 235 hours, the highest levels in 2017.**
- **Wind power sector bottomed up by c.5% after the Nov operation data were released on 6-8 Nov. In our view, that the worry about the surge in account receivables (ARs) still exists prevents the sector from any fast rebounding. We reiterate our BUY rating on LYP and HNR.**

Solid output growth in Nov-17. In November, the on-grid volume of LYP's wind power in China recorded a 20.0% YoY increase (vs. +10.4% YoY in Sep-16). Similarly, HNR recorded a 25.4% YoY increase (vs. -4.4% YoY in Sep-16). For the 11M17, the on-grid volume growth of wind power in China picked up to 14.5% YoY (LYP) and 14.7% (HNR) from 13.8% YoY (LYP) and 13.3% (HNR) for the 10M17. We think this is mainly due to the resumption in both the wind speed and the power consumption in Northern and Northeast China in November.

LYP registered strong growth in Northern and Northeast China, which accounted for c.37% and c.17% of its November wind power output, up 26.0% and 46.8% YoY, respectively. Growth in Northern China was in particular substantial compared to a 10.5% YoY decrease in October. Meanwhile, the on-grid volume growth in Southern China recorded an 8.7% YoY decrease from a 19.6% YoY increase in October. According to LYP's management, the overall curtailment rate has dropped by 4.0 ppt YoY to 7.0% (vs. 11.0% in Nov-16). We see the curtailment rate came up by 1.1ppt from 5.9% in Oct-17, which we think it is mainly attributed to the seasonality. It is also worth of noting that a 244.5MW wind farm in South Africa started the commercial operation this month as scheduled.

HNR saw steady growth in Northern, Northeast and Southern China, which accounted for c.45%, c.17% and c. 25% of its November wind power output, up 26.1%, 41.2% and 24.3% YoY, respectively. In contrast to LYP, HNR recorded a very solid increase in Southern China, thanks to the strong recovery in Yunnan after the completion of local substation upgrading project. According to HNR's management, the overall curtailment rate has dropped 5.0 ppt YoY to c.6.0% (vs. c.11.0% in Oct-16).

ARs to remain a drag on sector recovery. We see the sector bottomed up by c.5% on the back of the strong operation data since last week but now seems lost the growing engine. In our view, the increase in the ARs remains a big concern for investors preventing the whole sector from any fast bottom up unless a feasible method of solving the shortage in the renewable energy fund were announced by the government. We maintain our BUY rating on LYP and HNR for the time being.

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

	Curtailments		Connected capacity (GW)			Power generation (GWh)			Utilization hour			
	2015	2016	2015	2016	%	Nov-16	Nov-17	YoY%	Nov-16	Nov-17	YoY%	
Shanghai	IV		0.05	0.05	0.3%	9.1	9.8	7.8%	192	207	7.8%	
Jiangsu	IV		1.68	1.73	10.0%	340.1	310.6	-8.7%	203	180	-11.3%	
Zhejiang	IV		0.23	0.23	1.3%	37.0	35.1	-5.3%	162	154	-5.3%	
Anhui	IV		0.59	0.73	4.2%	115.3	135.3	17.4%	168	185	9.6%	
Fujian	IV		0.52	0.67	3.9%	168.2	255.5	51.9%	295	384	30.2%	
Sub-total			3.06	3.40	19.7%	669.7	746.3	11.4%				
Jiangxi	IV		-	0.04	0.2%	-	7.5	-	-	187	-	
Henan	IV				0.0%	-	-	-				
Hubei	IV				0.0%	-	10.4	-				
Hunan	IV		-	0.05	0.3%	16.8	15.8	-6.2%	350	328	-6.2%	
Chongqing	IV		0.15	0.15	0.9%	24.1	22.1	-8.3%	161	148	-8.3%	
Sichuan	IV				0.0%	-	-	-				
Tibet	IV		0.01	0.01	0.0%	1.8	1.1	-36.7%	240	152	-36.7%	
Sub-total			0.16	0.25	1.4%	42.7	56.9	33.3%				
Guangdong	IV		0.03	0.08	0.4%	5.2	15.1	189.9%	203	200	-1.5%	
Guangxi	IV		-	0.10	0.6%	23.8	30.7	29.0%	249	321	29.0%	
Hainan	IV		0.10	0.10	0.6%	16.7	20.2	20.5%	169	204	20.5%	
Guizhou	IV		0.54	0.64	3.7%	141.3	83.0	-41.3%	220	129	-41.3%	
Yunnan	IV	3%	4%	0.62	0.77	4.5%	151.2	159.9	5.8%	244	208	-14.9%
Sub-total			1.28	1.68	9.7%	338.2	308.8	-8.7%				
Beijing	IV											
Tianjin	IV		0.13	0.13	0.8%	20.9	24.4	16.5%				
Hebei	II/IV	10%	9%	1.17	1.17	6.8%	312.5	339.4	8.6%	158	185	16.5%
Shanxi	IV	3%	9%	0.65	0.83	4.8%	170.9	237.8	39.1%	267	290	8.6%
Shandong	IV			0.34	0.39	2.3%	68.5	82.4	20.3%	264	287	8.4%
Inner Mongolia	I/II	18%	21%	2.59	2.64	15.3%	483.6	647.5	33.9%	202	209	3.6%
Sub-total			4.87	5.16	29.9%	1,056	1,331	26.0%				
Liaoning	IV	10%	13%	1.00	1.00	5.8%	168.4	252.4	49.9%	168	252	49.9%
Jilin	III/IV	31%	30%	0.45	0.55	3.2%	57.5	110.6	92.4%	116	202	74.9%
Heilongjiang	III/IV	21%	19%	1.23	1.23	7.1%	207.1	272.5	31.6%	168	221	31.6%
Sub-total			2.69	2.79	16.1%	433.0	635.5	46.8%				
Shaanxi	IV		7%	0.20	0.44	2.5%	52.2	69.3	32.8%	154	158	2.4%
Gansu	II/III	39%	43%	1.29	1.29	7.5%	66.7	154.4	131.4%	52	120	131.4%
Qinghai	IV							0.0%				
Ningxia	III	13%	13%	0.72	0.72	4.2%	131.7	123.4	-6.3%	182	170	-6.3%
Xinjiang	I/III	32%	38%	1.39	1.54	8.9%	248.3	219.1	-11.8%	161	142	-11.8%
Sub-total			3.60	4.00	23.1%	498.9	566.2	13.5%				
National total		15%	17%	15.67	17.27		3,039	3,645	20.0%	185	215	15.9%

Source: CEC; Company, CSCI Research estimates

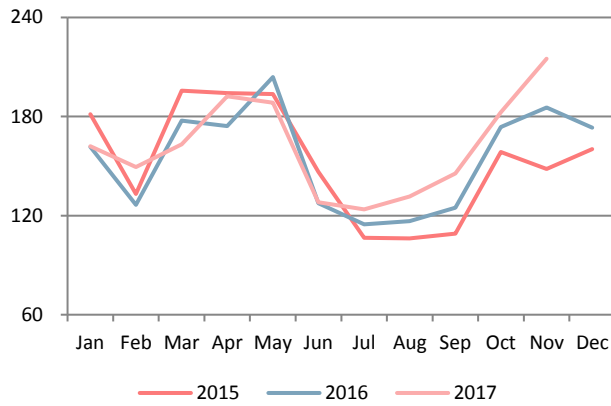
Figure 2: Monthly wind power generation – Huaneng Renewables (958 HK)

		Curtailments		Connected capacity (GW)			Power generation (GWh)			Utilization hour		
		2015	2016	2015	2016	%	Nov-16	Nov-17	YoY%	Nov-16	Nov-17	YoY%
Shanghai	IV			0.11	0.11	1.1%	18.7	16.3	-13.0%	173	151	-13.0%
Jiangsu	IV											
Zhejiang	IV			0.03	0.07	0.7%	6.0	13.7	126.6%	175	184	4.9%
Anhui	IV											
Fujian	IV											
Sub-total				0.14	0.18	1.8%	24.7	29.9	21.1%			
Jiangxi	IV											
Henan	IV											
Hubei	IV											
Hunan	IV											
Chongqing	IV											
Sichuan	IV			0.49	0.49	4.8%	120.5	142.7	18.5%	244	289	18.5%
Tibet	IV											
Sub-total				0.49	0.49	4.8%	120.5	142.7	18.5%			
Guangdong	IV			0.50	0.50	4.9%	113.6	122.8	8.1%	226	244	8.1%
Guangxi	IV			-	0.05	0.5%	-	15.1	-	-	305	-
Hainan	IV											
Guizhou	IV			0.73	0.73	7.1%	106.0	96.5	-8.9%	145	132	-8.9%
Yunnan	IV	3%	4%	1.12	1.12	10.9%	271.1	375.4	38.4%	243	336	38.4%
Sub-total				2.35	2.40	23.4%	490.8	609.8	24.3%			
Beijing	IV											
Tianjin	IV											
Hebei	II/IV	10%	9%	0.36	0.36	3.5%	75.1	90.7	20.7%	208	251	20.7%
Shanxi	IV	3%	9%	0.69	0.74	7.3%	174.9	214.3	22.5%	252	288	14.3%
Shandong	IV			0.95	1.00	9.8%	172.3	193.5	12.3%	181	193	6.8%
Inner Mongolia	I/II	18%	21%	2.47	2.47	24.1%	426.9	572.4	34.1%	173	232	34.1%
Sub-total				4.48	4.57	44.6%	849.3	1,071.0	26.1%			
Liaoning	IV	10%	13%	1.36	1.40	13.7%	245.8	298.4	21.4%	181	213	17.7%
Jilin	III/IV	31%	30%	0.40	0.40	3.9%	37.6	101.6	170.3%	95	257	170.3%
Heilongjiang	III/IV	21%	19%									
Sub-total				1.76	1.80	17.5%	283.3	400.0	41.2%			
Shaanxi	IV		7%	0.06	0.36	3.5%	76.3	82.4	8.1%	213	230	8.1%
Gansu	II/III	39%	43%									
Qinghai	IV											
Ningxia	III	13%	13%									
Xinjiang	I/III	32%	38%	0.45	0.45	4.4%	74.0	70.2	-5.1%	165	157	-5.1%
Sub-total				0.51	0.81	7.9%	150.3	152.6	1.6%			
National total		15%	17%	9.72	10.25		1,919	2,406	25.4%	191	235	22.6%

Source: CEC; Company; CSCI Research estimates

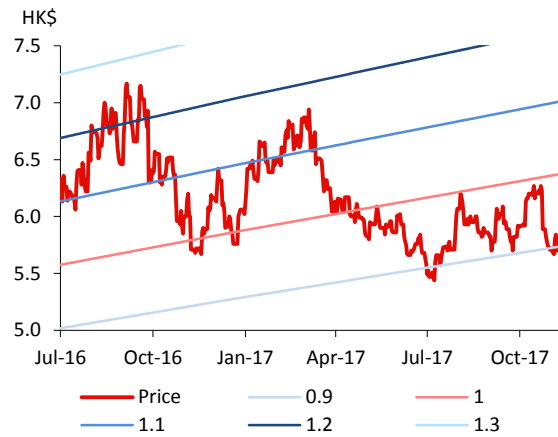
Valuation at historic trough

Figure 3: Estimated monthly utilization – LYP (916 HK)



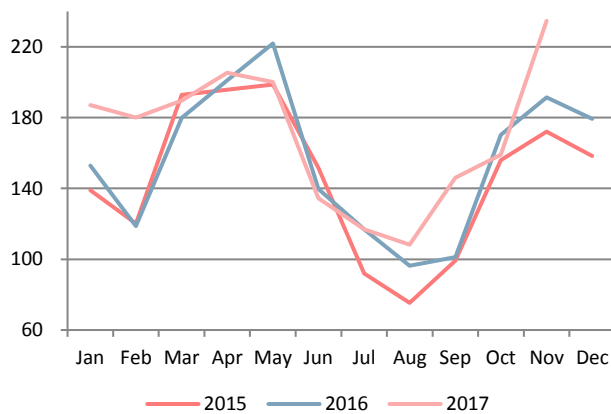
Source: Company; CSCI Research Estimates

Figure 4: PB band – LYP (916 HK)



Source: Bloomberg; CSCI Research

Figure 5: Estimated monthly utilization – HNR (958 HK)



Source: Company; CSCI Research Estimates

Figure 6: PB band – HNR (958 HK)



Source: Bloomberg; CSCI Research

Figure 7: Peer valuation

Name	Code	MKT CAP HKD mn	CP HKD	EPS Growth (%)		P/E (x)		P/BVPS (x)		Div yield (%)		ROE (%)	
				17E	18E	17E	18E	17E	18E	17E	18E	17E	18E
IPP													
CPR	836 HK	72,926	15.16	(42.7)	63.0	14.3	8.8	1.0	1.0	5.6	5.7	7.0	11.3
DTP	991 HK	62,867	2.82	(34.1)	69.3	12.7	7.5	0.8	0.7	2.8	6.5	6.2	9.8
HNP	902 HK	108,338	5.50	(74.2)	212.3	30.4	9.7	0.9	0.8	1.8	5.0	2.8	8.6
CPI	2380 HK	18,167	2.47	(56.9)	89.4	13.1	6.9	0.6	0.5	3.9	6.8	4.5	8.2
HDP	1071 HK	46,442	3.26	(84.0)	464.4	47.1	8.3	0.6	0.6	1.1	4.8	1.7	7.8
CGN	1816 HK	100,896	2.22	19.1	3.6	9.8	9.5	1.3	1.2	3.2	3.3	14.0	13.3
Avg.						24.5	9.2	1.0	0.9	2.4	4.5	6.8	10.1
Wind													
LYP	916 HK	45,647	5.68	8.7	18.5	9.9	8.4	0.9	0.8	2.1	2.5	9.4	10.4
HNR	958 HK	25,888	2.45	11.7	12.1	6.8	6.1	0.9	0.8	2.2	2.5	13.8	13.7
DTR	1798 HK	7,565	1.04	115.4	27.4	10.5	8.3	0.6	0.5	2.8	3.5	5.5	6.7
CST	956 HK	7,542	2.03	74.6	15.4	7.6	6.6	0.7	0.7	4.6	5.2	9.8	10.3
Avg.						8.9	7.5	0.9	0.8	2.4	2.8	10.4	11.0
Power Equip.													
DFE	1072 HK	30,282	7.89	(159.7)	34.3	32.5	24.2	0.7	0.7	0.7	0.8	2.1	3.2
HBP	1133 HK	4,833	3.51	63.2	(14.3)	9.5	11.1	0.3	0.3	1.1	1.1	3.5	3.9
SHE	2727 HK	122,708	3.35	(1.8)	2.4	17.3	16.9	0.8	0.8	0.9	1.0	4.9	5.1
GDW	2208 HK	65,274	12.06	(0.5)	4.2	12.0	11.5	1.6	1.5	2.2	2.5	14.5	13.7
CHS	658 HK	14,898	9.11	(10.7)	1.3	12.2	12.0	1.1	1.0	2.5	2.5	9.1	8.5
Avg.						15.1	14.7	1.1	1.0	1.4	1.6	8.2	8.0
Hydro													
YZP	600900 CH	359,040	16.32	1.5	(2.3)	16.8	17.2	2.7	2.5	4.1	4.1	16.3	15.0
SDIC	600886 CH	50,963	7.51	(17.4)	8.8	12.7	11.6	1.6	1.4	2.9	3.0	12.3	12.4
CTE	600674 CH	45,034	10.23	(2.3)	3.1	12.8	12.4	2.0	1.8	2.8	3.0	16.1	15.0
GGP	600236 CH	35,410	5.84	(6.3)	19.8	13.9	11.6	2.4	2.1	3.1	3.4	17.1	17.6
Avg.						15.8	15.8	2.5	2.3	3.8	3.8	15.9	14.9

Source: CSCI Research Estimates, Bloomberg; data as of 11 December 2017

Longyuan Power (916 HK)

Income statement (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
Revenue	19,683	22,304	24,669	25,024	26,230
Other net income	450	647	488	532	569
Material costs	(3,851)	(5,328)	(6,589)	(5,708)	(5,703)
Service concession	(662)	(541)	(55)	(49)	(44)
General and administrative	(1,795)	(2,032)	(2,241)	(2,292)	(2,397)
Repairs and maintenance	(531)	(642)	(719)	(809)	(857)
Other operating expenses	(584)	(518)	(573)	(581)	(609)
EBITDA	12,710	13,890	14,981	16,117	17,189
Depreciation & Amortization	(5,578)	(6,342)	(6,312)	(6,726)	(7,073)
EBIT	7,132	7,548	8,668	9,391	10,116
Net interest	(3,039)	(2,774)	(3,003)	(3,063)	(2,933)
JVs and associates	576	376	278	278	278
Pretax profit	4,669	5,150	5,944	6,606	7,461
Taxation	(601)	(660)	(969)	(1,077)	(1,216)
Minority & perpetual note	1,189	1,074	1,176	1,292	1,442
Net profit	2,878	3,415	3,799	4,237	4,803
Net profit (adjusted)	2,704	3,258	3,799	4,237	4,803
Basic EPS (Rmb)	0.36	0.42	0.47	0.53	0.60
Diluted EPS (Rmb)	0.36	0.42	0.47	0.53	0.60
DPS (Rmb)	0.07	0.09	0.09	0.11	0.12

Balance sheet (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
Cash	3,274	1,933	3,569	6,164	5,362
Short term investments	866	635	635	635	635
Accounts receivables	4,243	5,901	9,471	8,373	8,848
Inventory	1,081	1,040	1,141	988	988
Other current assets	3,240	3,824	3,824	3,824	3,824
Total current assets	12,704	13,333	18,640	19,984	19,656
PP&E	98,997	105,598	110,156	111,307	112,094
Intangible Assets	10,702	10,997	10,997	10,997	10,997
Associates and JVs	4,822	4,483	4,483	4,483	4,483
Other long term assets	6,643	4,250	4,250	4,250	4,250
Total long term assets	121,164	125,328	129,886	131,037	131,824
TOTAL ASSETS	133,867	138,661	148,525	151,021	151,480
Short term debt	44,977	44,511	47,445	46,271	43,338
Accounts payables	10,867	11,120	11,693	11,419	11,481
Other current liabilities	156	176	176	176	176
Total current liabilities	56,000	55,807	59,314	57,866	54,994
Long term debt	29,970	31,788	33,854	33,028	30,961
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	37,133	36,307	34,240
TOTAL LIABILITIES	89,293	90,874	96,448	94,173	89,235
Shareholders' funds	35,145	37,899	41,014	44,492	48,447
Perpetual medium-term note	2,991	2,991	3,124	3,257	3,391
Minority Interests	6,439	6,896	7,939	9,098	10,407
TOTAL EQUITY	44,574	47,786	52,078	56,848	62,245
Net cash / (debt)	(71,672)	(74,366)	(77,730)	(73,135)	(68,937)

Source: Company; CSCI Research estimates

Cash flow statement (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
Pretax profit	4,669	5,150	5,944	6,606	7,461
Depreciation & amortisation	5,578	6,342	6,312	6,726	7,073
Net interest	(3,039)	(2,774)	(3,003)	(3,063)	(2,933)
Taxes paid	(526)	(634)	(969)	(1,077)	(1,216)
Changes in working capital	4,128	483	(3,098)	976	(412)
Others	5,496	4,965	3,003	3,063	2,933
Cash flow from operations	16,307	13,533	8,189	13,231	12,906
Capex	(15,264)	(13,990)	(10,870)	(7,877)	(7,860)
Acquisitions	(877)	(68)	-	-	-
Disposals	3	220	-	-	-
Others	(182)	2,630	-	-	-
Cash flow from investing	(16,319)	(11,209)	(10,870)	(7,877)	(7,860)
Dividends	(1,174)	(1,306)	(683)	(760)	(847)
Issue of shares	412	147	-	-	-
Change in debt	4,870	1,322	5,000	(2,000)	(5,000)
Others	(3,582)	(3,447)	-	-	-
Cash flow from financing	525	(3,284)	4,317	(2,760)	(5,847)
Change in cash	513	(961)	1,636	2,594	(802)
Free cash flow	1,043	(458)	(2,681)	5,354	5,046

Key ratios

Year end: Dec	2015	2016	2017E	2018E	2019E
Operating ratios					
EBIT margin (%)	36.2	33.8	35.1	37.5	38.6
EBITDA margin (%)	64.6	62.3	60.7	64.4	65.5
Effective tax rate (%)	12.9	12.8	16.3	16.3	16.3
Revenue growth (%)	8.0	13.3	10.6	1.4	4.8
Net income growth (%)	12.7	18.7	11.2	11.5	13.3
EPS growth adj (%)	12.7	18.7	11.2	11.5	13.3
DPS growth (%)	20.1	18.5	11.2	11.5	13.3
Efficiency ratios					
ROE (%)	8.2	9.0	9.3	9.5	9.9
ROCE (%)	9.2	9.1	9.7	10.1	10.5
Asset turnover (x)	0.1	0.2	0.2	0.2	0.2
Op cash / EBIT (x)	2.3	1.8	0.9	1.4	1.3
Depreciation / CAPEX (x)	0.4	0.5	0.6	0.9	0.9
Accounts receivable days	98.8	83.0	113.7	130.1	119.8
Leverage ratios					
Net debt / assets (%)	53.5	53.6	52.3	48.4	45.5
Net gearing (%)	187.9	181.9	176.1	153.2	133.0
Net debt / EBITDA (x)	5.6	5.4	5.2	4.5	4.0
Interest cover (x)	(2.3)	(2.7)	(2.9)	(3.1)	(3.4)
Current ratio (x)	0.2	0.2	0.3	0.3	0.4
Valuation					
PER (x)	14.9	12.6	11.3	10.1	8.9
EV/EBITDA (x)	9.5	8.9	8.6	7.8	7.1
PBR (x)	1.2	1.1	1.0	1.0	0.9
Dividend yield (x)	1.3	1.6	1.8	2.0	2.2

Huaneng Renewables (958 HK)

Income statement (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
Revenue	7,357	9,239	10,347	11,196	12,309
Other net income	435	322	284	308	338
Material costs	-	-	-	-	-
Service concession	-	-	-	-	-
General and administrative	(559)	(626)	(744)	(828)	(911)
Repairs and maintenance	(109)	(189)	(247)	(268)	(294)
Other operating expenses	(272)	(375)	(407)	(441)	(485)
EBITDA	6,851	8,370	9,233	9,966	10,957
Depreciation & Amortization	(2,735)	(3,462)	(3,554)	(3,834)	(4,108)
EBIT	4,116	4,908	5,679	6,132	6,850
Net interest	(2,073)	(1,995)	(2,449)	(2,493)	(2,540)
JVs and associates	(3)	(3)	(2)	(3)	(2)
Pretax profit	2,041	2,910	3,228	3,636	4,307
Taxation	(141)	(202)	(224)	(252)	(298)
Minority	40	49	55	61	73
Net profit	1,860	2,659	2,950	3,323	3,936
Net profit (adjusted)	1,616	2,614	2,950	3,323	3,936
Basic EPS (Rmb)	0.19	0.27	0.28	0.31	0.37
Diluted EPS (Rmb)	0.19	0.27	0.28	0.31	0.37
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	3,191	3,526	4,032
Short term investments	-	-	-	-	-
Accounts receivables	2,900	4,635	6,726	7,053	7,139
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	11,406	12,069	12,661
PP&E	68,658	72,107	75,236	78,605	82,632
Intangible Assets	682	654	620	587	553
Associates and JVs	109	106	104	102	99
Other long term assets	5,452	3,883	3,906	3,932	3,961
Total long term assets	74,901	76,749	79,867	83,225	87,246
TOTAL ASSETS	82,553	85,445	91,273	95,295	99,907
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	24,852	27,732	31,169
Perpetual medium-term note	-	-	-	-	-
Minority Interests	827	857	911	973	1,046
TOTAL LIAB AND EQUITY	82,553	85,445	91,273	95,295	99,907
Net cash / (debt)	(47,414)	(50,383)	(50,821)	(51,566)	(52,162)

Cash flow statement (Rmb mn)

Year end: Dec	2015	2016	2017E	2018E	2019E
Pretax profit	2,041	2,910	3,228	3,636	4,307
Depreciation & amortisation	2,735	3,462	3,554	3,834	4,108
Net interest	2,197	2,090	2,449	2,493	2,540
Taxes paid	(126)	(179)	(224)	(252)	(298)
Changes in working capital	967	(844)	(2,090)	(328)	(86)
Others	(132)	(101)	2	3	2
Cash flow from operations	7,682	7,338	6,919	9,387	10,573
Capex	(12,644)	(7,877)	(6,673)	(7,196)	(8,130)
Acquisitions	(144)	(16)	0	0	-
Disposals	(324)	-	-	-	-
Others	598	524	28	32	36
Cash flow from investing	(12,514)	(7,370)	(6,645)	(7,163)	(8,094)
Dividends	(214)	(316)	(399)	(443)	(498)
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	(1,888)	(1,973)
Change in cash	(3,054)	(1,889)	621	335	506
Free cash flow	(4,962)	(538)	246	2,191	2,443

Key ratios

Year end: Dec	2015	2016	2017E	2018E	2019E
Operating ratios					
EBIT margin (%)	56.0	53.1	54.9	54.8	55.6
EBITDA margin (%)	93.1	90.6	89.2	89.0	89.0
Effective tax rate (%)	6.9	6.9	6.9	6.9	6.9
Revenue growth (%)	19.6	25.6	12.0	8.2	9.9
Net income growth (%)	65.9	43.0	11.0	12.6	18.5
EPS growth adj (%)	54.2	43.0	2.2	12.6	18.5
DPS growth (%)	50.0	36.7	2.2	12.6	18.5
Efficiency ratios					
ROE (%)	10.4	13.2	11.9	12.0	12.6
ROCE (%)	7.6	8.9	9.4	9.6	10.1
Asset turnover (x)	0.1	0.1	0.1	0.1	0.1
Op cash / EBIT (x)	1.9	1.5	1.2	1.5	1.5
Depreciation / CAPEX (x)	(0.2)	(0.4)	(0.5)	(0.5)	(0.5)
Accounts receivable days	143.9	183.1	237.3	230.0	211.7
Leverage ratios					
Net debt / assets (%)	57.4	59.0	55.7	54.1	52.2
Net gearing (%)	266.4	250.2	204.5	185.9	167.4
Net debt / EBITDA (x)	6.9	6.0	5.5	5.2	4.8
Interest cover (x)	1.9	2.3	2.3	2.5	2.7
Current ratio (x)	0.3	0.3	0.4	0.4	0.4
Valuation					
PER (x)	11.2	7.8	7.6	6.8	5.7
EV/EBITDA (x)	11.3	9.4	8.7	8.2	7.6
PBR (x)	1.2	1.0	0.9	0.8	0.7
Dividend yield (%)	1.4	1.9	2.0	2.2	2.6

Source: Company; CSC 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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