



Rating
Buy

Asia
China

Utilities
Utilities

Company
Yangtze Power

Reuters 600900.SS Bloomberg 600900.CH Exchange SHH Ticker 600900

Date
9 January 2018

Company Update

Price at 8 Jan 2018 (CNY)	15.98
Price target - 12mth (CNY)	18.30
52-week range (CNY)	17.12 - 12.66
Shanghai Composite	3,392

Access China conference highlights

Yangtze Power attended our AccessChina 2018 conference and we lay out the key takeaways below:

Power output: The water inflow improved much in 2H17 and the total generation in 2017 was up by 2.4% yoy (vs. 4% decrease in 1H17). Three Gorges/Gezhouba recorded 4.4%/4.1% generation growth while Xiluodu's output remained flattish and Xiangjiaba's output decreased slightly by 1.2%. According to the management, there are 6bn kwh power curtailment in 2017 (vs. 210.8bn kwh total power output) mainly in Xiluodu/Xiangjiaba and management expects it to decrease going forward. The synchronized dispatching among Yangtze's four hydro plants has contributed 9.6bn kwh additional power output in 2017 and management believes there is still further room to improve.

Tariff updates: Yangtze Power just announced the tariff hike for its Xiluodu/Xiangjiaba (effective on Jul 2017) due to the mid-year tariff hike for thermal power. Tariff was raised by Rmb1.9/mwh to Rmb326.3/mwh for Xiluodu (Right) and was raised by Rmb4.6/mwh to Rmb300.6/mwh for Xiluodu (Left) and Xiangjiaba. Out of the total 210.8bn kwh power output in 2017, around 12bn kwh is market-based volume with a price discount of c.Rmb20/mwh.

Capital deployment: Yangtze has budgeted Rmb12bn/year for external investments for next 2-3 year. They will mainly focus on hydro/power retail sector in domestic market and are also interested in overseas opportunities in hydro/power retail/gas power sector.

Other key takeaways: The company is aware of the draft version notice by NDRC to reduce the VAT for hydro power, but they are still waiting for further official updates on this. Mgmt expects the financial cost to drop yoy in 2017 and remain flattish in 2018 with some reduction in total debt offset by higher effective interest rate. Yangtze will stick to its dividend policy of no less than Rmb0.65/sh for 2017-20.

Valuation & Risks

Michael Tong, CFA
Research Analyst
+852-2203 6167

Hanyu Zhang
Research Analyst
+852-2203 6207

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-3.2	6.0	25.7
Shanghai Composite	3.6	1.8	8.1

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	16.7
Net debt/equity (%)	56.2
Book value/share (CNY)	6.07
Price/book (x)	2.6
Net interest cover (x)	4.7
Operating profit margin (%)	56.4

Source: Deutsche Bank

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Forecasts and ratios

Year End Dec 31	2015A	2016A	2017E	2018E	2019E
Sales (CNYm)	24,239	48,939	48,958	48,895	48,897
EBITDA (CNYm)	19,588	40,114	40,272	40,230	40,237
Reported NPAT (CNYm)	11,520	20,781	21,921	19,938	19,813
Reported EPS FD(CNY)	0.698	0.945	0.996	0.906	0.901
DB EPS FD (CNY)	0.698	0.945	0.996	0.906	0.901
DB EPS growth (%)	-2.6	35.3	5.5	-9.0	-0.6
PER (x)	17.9	13.5	16.0	17.6	17.7
Price/BV (x)	2.5	2.2	2.6	2.5	2.4
EV/EBITDA (x)	12.0	9.0	9.9	9.6	9.3
DPS (net) (CNY)	0.476	0.713	0.650	0.650	0.650
Yield (net) (%)	3.8	5.6	4.1	4.1	4.1
ROE (%)	13.0	18.9	16.7	14.6	14.0

Source: Deutsche Bank estimates, company data



Appendix 1

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*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Yangtze Power	600900.SS	15.98 (CNY) 8 Jan 2018	7

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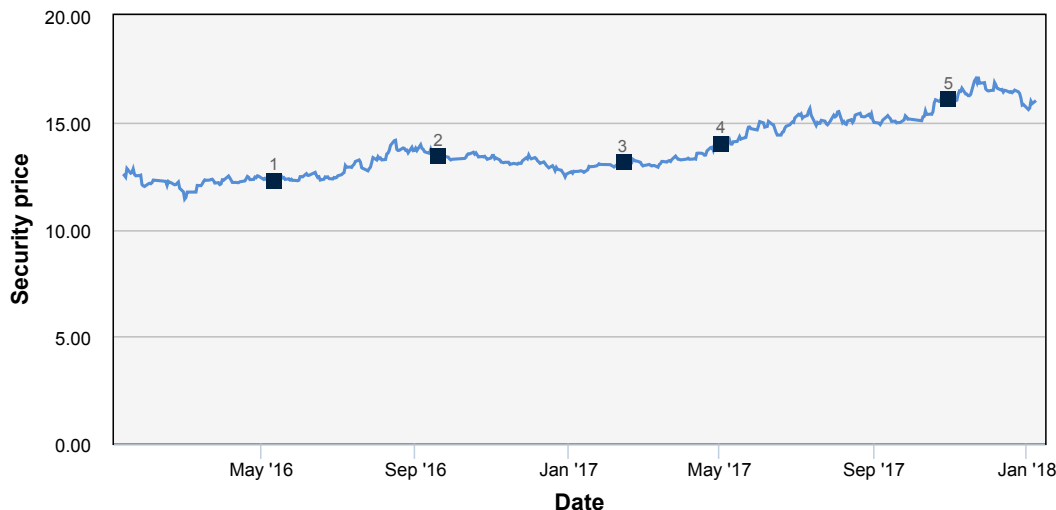
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Historical recommendations and target price. Yangtze Power (600900.SS)

(as of 01/08/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

1.	05/12/2016	Buy, Target Price Change CNY 17,00 Michael Tong, CFA	4.	05/03/2017	Buy, Target Price Change CNY 17,50 Michael Tong, CFA
2.	09/20/2016	Buy, Target Price Change CNY 17,10 Michael Tong, CFA	5.	10/31/2017	Buy, Target Price Change CNY 18,30 Michael Tong, CFA
3.	02/14/2017	Buy, Target Price Change CNY 17,40 Michael Tong, CFA			

Equity Rating Key

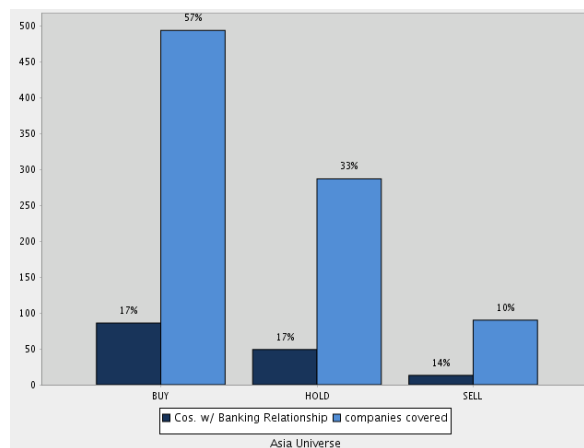
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Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

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Group Chief Economist and Global Head of Research

Raj Hindocha
Global Chief Operating Officer
Research

Michael Spencer
Head of APAC Research
Global Head of Economics

Steve Pollard
Head of Americas Research
Global Head of Equity Research

Anthony Klarman
Global Head of
Debt Research

Paul Reynolds
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Head of APAC
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Global Head of Quantitative
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Level 16
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Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG

Filiale Hongkong
International Commerce Centre,
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Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.

2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
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Tel: (81) 3 5156 6770

Deutsche Bank AG London

1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.

60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500
