CTGR Group (600905 CH)

Robust 3Q23 power generation; controlling shareholder's share increase plan demonstrates confidence

CTGR reported a 10.31% YoY increase in 3Q23 electricity generation, with wind and solar power showing robust growth. Cumulatively, from 1Q23 to 3Q23, the company's electricity generation grew by 13.36% YoY to 40.03bn kWh. We remain optimistic about CTGR's full-year power generation. Additionally, CTG, the controlling shareholder of CTGR, plans to increase its stake in next 12 months, demonstrating confidence in CTGR's future business extension. For 2023, CTGR aims to achieve no less than renewable energy capacity installed, and we believe CTGR can achieve its target supported by abundant project resources and lower upstream cost. **We maintain our BUY rating and target price of HK$6.24.**

- **CTGR announced resilient 3Q electricity generation growth and we maintain our full-year generation estimates unchanged.** CTGR's 3Q electricity generation reached 11.94bn kWh, a 10.31% YoY increase. Wind power generation rose by 10.04%YoY (onshore/offshore wind power by 9.47%/11.41% YoY) to 7.40bn kWh, while solar power increased by 11.82% YoY to 4.16bn kWh. Hydropower declined by 1.63% YoY, but independent energy storage rose by 46.67% YoY. Cumulatively, in 1Q-3Q23, electricity generation grew by 13.36% YoY to 40.03bn kWh, with wind/solar/hydro/energy storage generation up by 16.27%/8.92%/21.15%/56.67% YoY. Given the robust electricity generation growth in 3Q and Jan-Sep 2023, our full-year generation estimate of 55.82bn kWh remains unchanged.
- **CTGR announced its controlling shareholder China Three Gorges Group's (CTG) shareholding increase plan, showing strong confidence in CTGR's business expansion**. CTG plans to increase its stake in CTGR over the next 12 months, with an amount no less than RMB300mn and not exceeding RMB500mn at a price of no higher than RMB6/share. This move demonstrates that CTG has strong confidence in CTGR's future renewable energy business development.
- **CTGR aims for a significant extension of new energy capacity installed for FY23E with abundant project resources.** CTGR targets to add no less than 5GW of on-grid installed capacity for renewable energy. As at end-1H23, the company added 1.8GW, and had 13.2GW of capacity under construction. We believe CTGR will speed up its capacity installation process in 2H23E. Moreover, CTGR acquired new project resources with clear locations of 24.8GW, and acquired new approval and registered new energy projects of 14.2GW in Jan-Aug 2023. We believe CTGR's abundant project resources and lower upstream cost will further support its long-term business expansion.
- **We keep our TP unchanged at HK$6.24, and maintained BUY.** Thanks to robust power generation in 1Q-3Q23, we maintain our key assumptions largely unchanged and stay optimistic about CTGR's future installed capacity. Thus, we keep our TP unchanged at HK$6.24, and maintain BUY rating.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	15,484	23,812	28,682	33,444	38,601
Net profit (RMB mn)	5,642.4	7,155.5	8,932.4	10,534.4	12,956.1
EPS (Reported) (RMB)	0.23	0.25	0.31	0.37	0.45
YoY growth (%)	26.3	9.7	24.8	17.9	23.0
Consensus EPS (RMB)	na	0.25	0.32	0.38	0.45
ROE (%)	10.1	9.7	11.0	11.7	12.8
P/E(x)	26.2	20.8	16.2	13.6	11.3
P/B(x)	2.3	2.0	1.7	1.5	1.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**RMB6.24**
(Previous TP	RMB6.24)
Up/Downside	**32%**
Current Price	**RMB4.71**

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Stock Data

Mkt Cap (RMB mn)	134814.70
Avg 3 mths t/o (RMB mn)	331.79
52w High/Low (RMB)	5.96/4.65
Total Issued Shares (mn)	28,623

Source: FactSet

Shareholding Structure

China Three Gorges Group	48.9%
Ducheng Weiye Group	3.5%

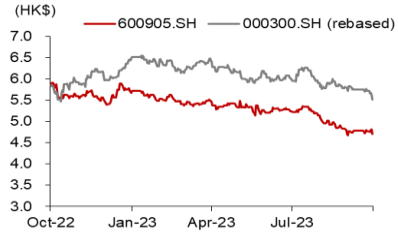
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-1.7%	3.5%
3-mth	-10.1%	-2.0%
6-mth	-14.0%	0.4%

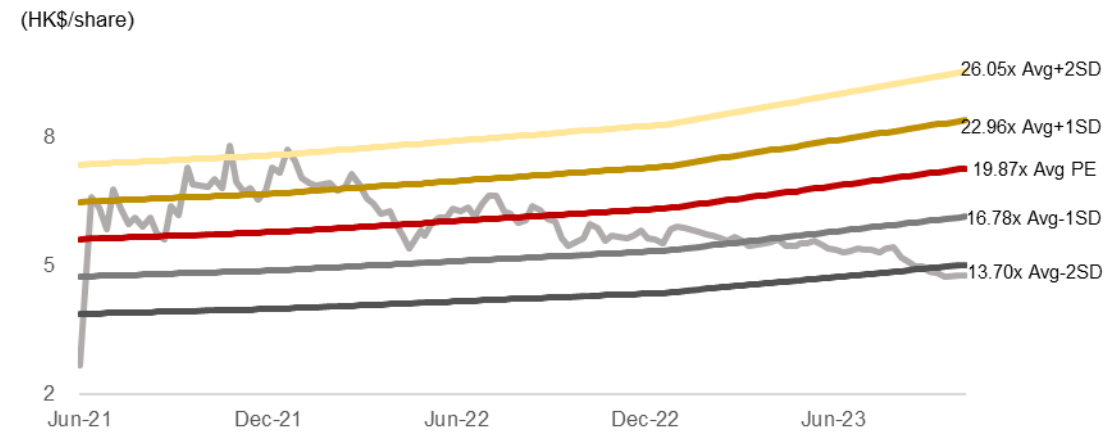
Source: FactSet

12-mth Price Performance



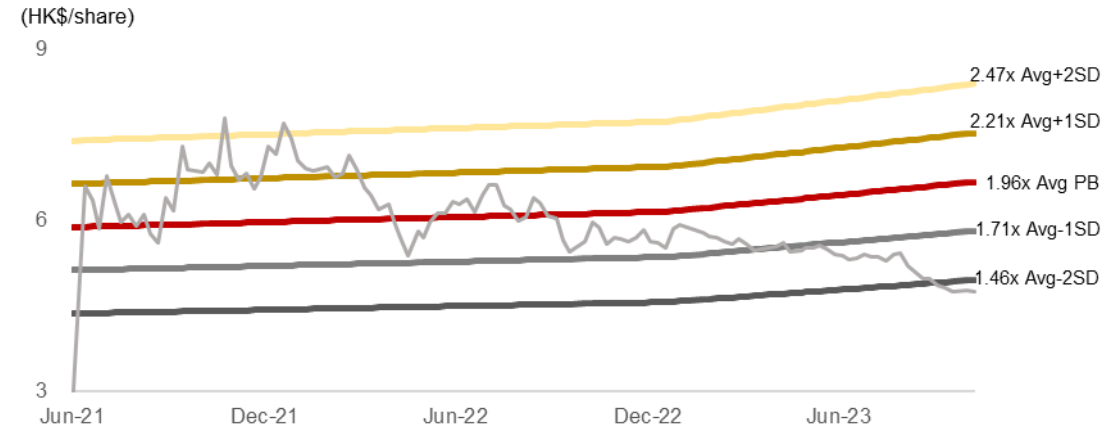
Source: FactSet

Figure 1: CTGR's PE band



Source: Company data, CMBIGM estimates

Figure 2: CTGR's PB band



Source: Company data, CMBIGM estimates

Figure 3: Peers table (A-share)

Company	Ticker	Closing Price (RMB)	Mkt cap (RMBmn)	EPS 23E	EPS 24E	EPS 25E	23-25E CAGR	PER 23E	PER 24E	PER 25E	PBR 23E	PBR 24E	PBR 25E
CHINA THREE GO-A	600905 CH	4.71	134814.70	0.30	0.35	0.43	19.6%	15.86	13.34	11.08	1.61	1.45	1.29
CHINA LONGYUAN-A	001289 CH	20.00	120328.65	0.97	1.13	1.25	13.6%	20.70	17.70	16.05	2.14	1.98	1.80
HUANENG POWER-A	600011 CH	7.37	96305.55	0.80	0.92	1.11	17.7%	9.18	8.01	6.63	1.05	0.96	0.85
CHINA SOUTHERN-A	003035 CH	5.51	20871.21	0.17	0.24	0.32	36.6%	32.03	22.86	17.17	2.97	2.64	2.30
ZHONGMIN ENER-A	600163 CH	4.38	8335.12	0.44	0.46	0.49	5.6%	10.07	9.52	9.03	1.28	1.15	1.03
CECEP WIND POW-A	601016 CH	3.13	20266.41	0.28	0.32	0.35	11.8%	11.18	9.94	8.94	1.07	0.93	0.85
Average								**16.5**	**13.6**	**11.5**	**1.7**	**1.5**	**1.4**

Source: Company data, CMBIGM estimates

Figure 4: Peers table (H-share)

Company	Ticker	Closing Price (HK$)	Mkt cap (HK$mn)	EPS 23E	EPS 24E	EPS 25E	23-25E CAGR	PER 23E	PER 24E	PER 25E	PBR 23E	PBR 24E	PBR 25E
CHINA LONGYUAN-H	916 HK	6.24	128674.61	0.96	1.15	1.29	15.8%	6.08	5.06	4.53	0.66	0.59	0.55
CHINA SUNTIEN-H	956 HK	2.65	25312.51	0.54	0.65	0.78	20.7%	4.61	3.84	3.17	0.48	0.45	0.41
CHINA POWER INTE	2380 HK	2.80	34636.42	0.32	0.45	0.56	33.8%	8.31	5.77	4.64	0.71	0.64	0.58
CHINA RES POWER	836 HK	14.28	68693.14	2.68	3.08	3.69	17.2%	5.32	4.64	3.87	0.77	0.69	0.62
CGN NEW ENERGY H	1811 HK	2.02	8667.46	0.08	0.08	0.09	6.1%	3.23	3.23	2.87	na	na	na
CHINA DATANG C-H	1798 HK	1.78	12947.19	0.40	0.44	0.51	12.5%	4.13	3.77	3.26	0.66	0.57	0.50
DATANG INTL PO-H	991 HK	1.14	39973.25	0.20	0.29	0.35	32.3%	5.33	3.68	3.05	0.30	0.28	0.25
HUANENG POWER-H	902 HK	3.47	102985.27	0.73	0.84	1.03	18.6%	4.43	3.86	3.15	0.49	0.46	0.36
HUADIAN POWER-H	1071 HK	2.98	48891.25	0.56	0.71	0.80	19.3%	4.97	3.94	3.49	0.54	0.49	0.41
CONCORD NE	182 HK	0.63	5387.71	0.12	0.13	0.15	11.8%	4.91	4.53	3.93	0.93	0.88	0.77
Average								**5.1**	**4.2**	**3.6**	**0.6**	**0.6**	**0.5**

Source: Company data, CMBIGM estimates

Figure 5: Key assumption table

Wind Power	2022	2023E	2024E	2025E	2026E
Revenue-RMB mn	16,886	18,874	21,296	23,682	27,020
YoY	*68%*	*12%*	*13%*	*11%*	*14%*
Total attributed installed capacity-M	15,922	17,922	20,422	23,422	27,022
YoY	*12%*	*13%*	*14%*	*15%*	*15%*
Newly-added installed capacity-MW	1,653	2,000	2,500	3,000	3,600
YoY	*-69%*	*21%*	*25%*	*20%*	*20%*
Effective utilization hours	2,065	2,065	2,086	2,106	2,127
YoY	*33%*	*0%*	*1%*	*1%*	*1%*
Grid parity power generation	32,878	37,008	42,592	49,337	57,489
YoY	*49%*	*13%*	*15%*	*16%*	*17%*
Solar Power					
Revenue-RMB mn	6,535	9,309	11,649	14,420	16,589
YoY %	*32%*	*42%*	*25%*	*24%*	*15%*
Total attributed installed capacity-MW	10,284	13,284	16,784	20,584	23,584
YoY %	*22%*	*29%*	*26%*	*23%*	*15%*
Newly-added installed capcaity-MW	1,872	3,000	3,500	3,800	3,000
YoY %	*-2%*	*60%*	*17%*	*9%*	*-21%*
Effective utilization hours	1,283	1,348	1,388	1,430	1,465
YoY%	*16%*	*5%*	*3%*	*3%*	*3%*
Grid parity power generation-GWh	13,199	17,902	23,297	29,429	34,561
YoY %	*41.67%*	*35.63%*	*30.14%*	*26.32%*	*17.44%*

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	**11,315**	**15,484**	**23,812**	**28,682**	**33,444**	**38,601**
Cost of goods sold	(4,788)	(6,440)	(9,906)	(12,219)	(14,344)	(16,371)
Gross profit	**6,527**	**9,044**	**13,906**	**16,463**	**19,100**	**22,230**
Operating expenses	**(662)**	**(1,139)**	**(1,576)**	**(2,043)**	**(2,362)**	**(2,513)**
SG&A expense	(557)	(1,007)	(1,406)	(1,864)	(2,174)	(2,316)
Others	(105)	(133)	(170)	(179)	(188)	(197)
Operating profit	**5,866**	**7,904**	**12,330**	**14,420**	**16,738**	**19,716**
Other income	21	(3)	241	0	0	0
Other expense	(18)	(145)	(148)	0	0	0
Investment gain/loss	52	580	(181)	(100)	(100)	(100)
Share of (losses)/profits of associates/JV	455	1,150	1,289	1,289	1,000	1,000
EBITDA	**9,853**	**13,094**	**20,207**	**24,358**	**27,602**	**31,891**
Depreciation	3,907	5,113	7,636	9,697	10,623	11,933
Other amortisation	81	77	241	241	241	241
EBIT	**5,866**	**7,904**	**12,330**	**14,420**	**16,738**	**19,716**
Interest income	38	175	223	264	568	542
Interest expense	(2,129)	(3,020)	(4,074)	(4,779)	(5,052)	(4,799)
Net Interest income/(expense)	**(2,091)**	**(2,844)**	**(3,987)**	**(4,515)**	**(4,483)**	**(4,258)**
Foreign exchange gain/loss	0	0	0	0	0	0
Other income/expense	21	(3)	241	0	0	0
Others	490	1,582	485	1,189	900	900
Pre-tax profit	**4,286**	**6,640**	**9,069**	**11,093**	**13,155**	**16,359**
Income tax	(344)	(554)	(686)	(943)	(1,184)	(1,636)
After tax profit	**3,941**	**6,086**	**8,383**	**10,150**	**11,971**	**14,723**
Minority interest	(330)	(444)	(1,227)	(1,218)	(1,437)	(1,767)
Net profit	**3,611**	**5,642**	**7,155**	**8,932**	**10,534**	**12,956**

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	**21,044**	**33,728**	**42,804**	**59,415**	**61,766**	**53,692**
Cash & equivalents	1,851	13,207	10,566	22,739	21,664	11,354
Account receivables	12,362	19,088	27,007	31,433	34,818	37,015
Inventories	79	131	222	234	275	314
Other current assets	6,751	1,302	5,009	5,009	5,009	5,009
PP&E	67,030	87,864	138,354	148,747	161,959	176,892
Intangibles	1,871	1,738	5,139	4,898	4,658	4,417
Other non-current assets	52,632	95,520	75,830	77,019	77,919	78,819
Total assets	**142,576**	**218,850**	**262,127**	**290,079**	**306,302**	**313,820**
Current liabilities	**30,244**	**38,393**	**47,155**	**45,672**	**45,817**	**44,665**
Short-term borrowings	7,821	5,524	4,340	4,340	4,340	4,340
Account payables	12,508	21,874	24,916	23,434	23,579	22,427
Other current liabilities	9,915	10,995	17,899	17,899	17,899	17,899
Non-current liabilities	**65,897**	**102,390**	**127,013**	**147,013**	**152,013**	**147,013**
Long-term borrowings	52,698	83,677	99,456	119,456	124,456	119,456
Other non-current liabilities	13,198	18,713	27,557	27,557	27,557	27,557
Total liabilities	**96,141**	**140,783**	**174,168**	**192,685**	**197,830**	**191,678**
Share capital	29,781	52,429	52,221	52,221	52,221	52,221
Retained earnings	12,002	17,661	189	8,406	18,047	29,949
Other reserves	130	90	24,804	24,804	24,804	24,804
Total shareholders equity	**41,913**	**70,180**	**77,051**	**85,268**	**94,909**	**106,812**
Minority interest	4,522	7,887	10,908	12,126	13,563	15,329
Total equity and liabilities	**142,576**	**218,850**	**262,127**	**290,079**	**306,302**	**313,820**

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**3,611**	**5,642**	**7,155**	**8,932**	**10,534**	**12,956**
Depreciation & amortization	3,988	5,190	7,877	9,938	10,864	12,174
Change in working capital	(662)	(3,941)	(3,249)	(5,920)	(3,281)	(3,388)
Others	2,040	1,926	5,088	29	537	867
Net cash from operations	**8,976**	**8,818**	**16,871**	**12,979**	**18,654**	**22,609**
Investing						
Capital expenditure	(25,456)	(29,906)	(27,731)	(20,090)	(23,835)	(26,866)
Acquisition of subsidiaries/ investments	(1,928)	(2,251)	(1,608)	0	0	0
Others	(687)	(2,740)	(452)	0	0	0
Net cash from investing	**(28,072)**	**(34,897)**	**(29,790)**	**(20,090)**	**(23,835)**	**(26,866)**
Financing						
Dividend paid	(2,610)	(4,973)	(4,922)	(716)	(893)	(1,053)
Net borrowings	22,330	28,682	14,595	20,000	5,000	(5,000)
Others	(2,879)	13,537	600	0	0	0
Net cash from financing	**16,841**	**37,246**	**10,273**	**19,284**	**4,107**	**(6,053)**
Net change in cash						
Exchange difference	0	4	5	0	0	0
Others	(2,255)	11,166	(2,646)	12,173	(1,075)	(10,310)
Cash at the end of the year	**(2,255)**	**11,170**	**(2,642)**	**12,173**	**(1,075)**	**(10,310)**

GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	26.3%	36.8%	53.8%	20.5%	16.6%	15.4%
Gross profit	28.4%	38.6%	53.8%	18.4%	16.0%	16.4%
Operating profit	28.0%	34.8%	56.0%	17.0%	16.1%	17.8%
EBITDA	26.3%	32.9%	54.3%	20.5%	13.3%	15.5%
EBIT	28.0%	34.8%	56.0%	17.0%	16.1%	17.8%
Net profit	27.2%	56.3%	26.8%	24.8%	17.9%	23.0%

PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	57.7%	58.4%	58.4%	57.4%	57.1%	57.6%
Operating margin	51.8%	51.0%	51.8%	50.3%	50.0%	51.1%
EBITDA margin	87.1%	84.6%	84.9%	84.9%	82.5%	82.6%
Return on equity (ROE)	9.0%	10.1%	9.7%	11.0%	11.7%	12.8%

GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	0.7	0.9	0.9	1.3	1.3	1.2
Receivable turnover days	398.8	449.9	414.0	400.0	380.0	350.0
Inventory turnover days	6.0	7.4	8.2	7.0	7.0	7.0
Payable turnover days	953.6	1,239.7	918.1	700.0	600.0	500.0

VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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