国泰君安证券 GUOTAI JUNAN SECURITIES

Company Report: China Power International (02380 HK)

公司报告：中国电力 (02380 HK)

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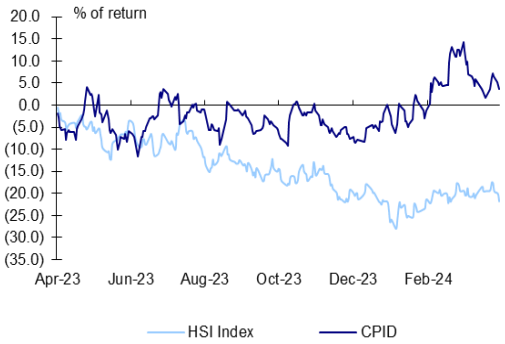
17 April 2024

Strong FY24 Earnings Outlook, "Buy"

- **2023 earnings missed.** CPID (the "Company") reported 2023 earnings of RMB2,660 mn, missing our expectation, primarily due to asset amortisation of RMB650 mn and loss of RMB 826 mn booked by the hydro segment, both higher than our estimates. The Company announced 2023 DPS of RMB0.13 (vs. RMB0.11 in 2022). CPID raised 2023 payout ratio to 61% (up from 55% in 2022) with a DPS of RMB0.13 (up from RMB0.11 in 2022). This, in our view, reflects management's confidence over 2024 earnings growth and its intention to smooth out dividend payments.
- **Thermal power segment as the cash cow:** In 2023, CPID's thermal power segment was turned around with strong earnings of RMB1,315 mn (vs. loss of RMB1,391 mn in 2022). In 2023, the average dark spread improved from RMB82/MWh in 2022 to RMB111/MWh, driven by more rapid decline in unit fuel costs. For 2024, CPID's management believes dark spreads could improve further, primarily driven by 3-5% further decline in unit fuel costs. Following the turnaround, CPID's thermal segment should be able to act as a cash cow for both new energy expansion and dividend payout.
- **Prudent yet solid expansion in renewables:** In 2023, CPID added a total of 13.4GW of renewable capacities (including 7.5GW from asset injection). The Company targets 7GW of organic new energy capacity growth in 2024, implying that 78.7% of its total generation capacity by the year end will be clean energy. 2024 capex budget is set within RMB30 bn, flat yoy, benefiting from declining new energy equipment costs. CPID's management remains committed to the green transformation plan, which aims to have over 90% of the Company's total consolidated capacity in clean energy by 2025.
- **Hydro power showed signs of improvement in 1Q24.** Due to consistently low level of rainfall in the river basins where the Company's hydropower plants are located, the Company's hydro segment recorded loss of RMB826 mn in 2023. We currently see chances of normalisation for the Company's hydro business in 2024. In 1-2M24, the Company's hydro power sold rebounded strongly by 83% yoy, thanks to considerable improvement in water flows.
- **Maintain "Buy":** We cut our 2024-2025 earnings estimates by 9% and 14% to RMB5,518 mn and RMB7,078 mn, respectively, on more prudent expansion of new energy business and downward pressure for renewable tariffs. We introduce our 2026 earnings estimate of RMB8,844 mn. We reduce our SOTP-derived TP from HK$4.10 to HK$3.70 (thermal:1.2x 2024F PB; new energy: 8.5x 2024F PE; hydro: 12.0x 2024F PE). **Downside risks:** Extreme weather conditions; lower-than-expected tariffs; delay in project roll-out.

Rating:	**Buy** Maintained
评级：	**买入** (维持)
6-18m TP 目标价:	**HK$3.70**
Revised from 原目标价:	HK$4.10
Share price 股价:	HK$3.140

Stock performance
股价表现



Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	(6.8)	4.3	(3.1)
Rel. % to HS Index 相对恒指变动 %	(4.0)	1.9	17.4
Avg. Share price(HK$) 平均股价（港元）	3.2	3.1	3.0

Source: Bloomberg, Guotai Junan International.

Year End 年结 12/31	Turnover 收入 (RMB m)	Net Profit 股东净利 (RMB m)	EPS 每股净利 (RMB)	EPS 每股净利变动 (Δ %)	PER 市盈率 (x)	BPS 每股净资产 (RMB)	PBR 市净率 (x)	DPS 每股股息 (RMB)	Yield 股息率 (%)	ROE 净资产收益率 (%)
2022A	43,689	2,648	0.220	(100.0)	12.6	3.234	0.9	0.055	2.0	5.6
2023A	44,262	3,084	0.215	(2.3)	13.3	3.797	0.8	0.122	4.3	5.8
2024F	52,223	5,518	0.412	91.6	7.0	4.336	0.7	0.132	4.6	9.5
2025F	57,587	7,076	0.538	30.6	5.4	4.719	0.6	0.165	5.7	11.1
2026F	64,506	8,844	0.681	26.6	4.3	5.191	0.6	0.215	7.4	12.7

Shares in issue (m) 总股数 (m)	12,370,151.0	Major shareholder 大股东	SPIC 54.3%
Market cap. (HK$ m) 市值 (HK$ m)	38,842,274.1	Free float (%) 自由流通比率 (%)	45.7
3 month average vol. 3 个月平均成交股数 ('000)	36,751.1	FY24 Net gearing (%) FY24 净负债/股东资金 (%)	169.1
52 Weeks high/low (HK$) 52 周高/低 (HK$)	3.540/ 2.640	FY24 Est. NAV (HK$) FY24 每股估值（港元）	3.7

Source: the Company, Guotai Junan International.

Financial Statements and Ratios

Income Statement

Year end 31 Dec (RMB m)	2022A	2023A	2024F	2025F	2026F
Total revenue	43,689	44,262	52,223	57,587	64,506
Other income	747	2,320	2,320	2,320	2,320
Fuel costs	(22,726)	(16,801)	(14,143)	(12,056)	(10,262)
DEPN	(7,661)	(9,081)	(11,059)	(12,572)	(14,610)
Staff costs	(3,840)	(4,639)	(5,473)	(6,035)	(6,760)
Repairs and maintenance	(965)	(1,096)	(1,345)	(1,527)	(1,743)
Subcontracting costs	(754)	(2,249)	(2,820)	(3,091)	(3,390)
Consumables	(561)	(534)	(630)	(695)	(779)
Other gains and losses, net	2,516	679	826	826	826
Other operating expenses	(2,841)	(4,145)	(4,605)	(4,967)	(5,401)
Operating profit	7,604	8,715	15,294	19,790	24,708
Finance costs, net	(4,107)	(3,995)	(5,415)	(6,192)	(7,367)
Share of results of associates and JVs	(153)	706	412	480	478
Profit before tax	3,344	5,427	10,291	14,078	17,819
Income Tax	(659)	(893)	(2,573)	(3,520)	(4,455)
Profit after tax	2,685	4,534	7,718	10,559	13,365
Non-controlling interest	(37)	(1,449)	(2,200)	(3,483)	(4,521)
Shareholders' profit / loss	2,648	3,084	5,518	7,076	8,844
Basic EPS	0.220	0.215	0.412	0.538	0.681

Cash Flow Statement

Year end 31 Dec (RMB m)	2022A	2023F	2024F	2025F	2026F
Profit before tax	3,344	5,427	10,291	14,078	17,819
DD&A	7,661	9,020	11,059	12,572	14,610
Working capital adjustments	(2,676)	2,026	1,388	(1,350)	(1,190)
Income tax paid	(545)	(999)	(2,551)	(3,497)	(4,431)
Others	(2,058)	(5,571)	(412)	(480)	(478)
Cash from operating activities	5,726	9,903	19,775	21,323	26,330
Capex	(17,596)	(61,047)	(29,090)	(56,115)	(56,115)
Others	(2,479)	34,203	(231)	2,394	2,393
Cash from investing activities	(20,075)	(26,844)	(29,322)	(53,721)	(53,722)
Proceeds from borrowings, net	372	52,650	8,727	36,475	33,669
Dividend paid	(557)	(1,361)	(1,633)	(2,038)	(2,661)
Others	16,993	(32,837)	998	(751)	(1,060)
Cash from financing activities	16,808	18,452	8,092	33,686	29,948
Cash at beg of year	1,767	4,228	5,739	4,284	5,572
Net changes in cash	2,459	1,512	(1,455)	1,288	2,556
Effect of foreign exchanges	3	(1)	0	0	0
Cash at end of year	4,228	5,739	4,284	5,572	8,128

Source: the Company, Guotai Junan International.

Balance Sheet

Year end 31 Dec (RMB m)	2022A	2023A	2024F	2025F	2026F
PPE	142,306	202,556	221,017	262,444	301,842
Intangible assets	16,013	25,871	26,083	26,286	26,478
Interests in associates and JVs	6,656	10,261	11,108	11,908	12,557
Prepayments	4,951	6,194	6,194	6,194	6,194
Other non-current assets	10,593	15,283	15,283	15,283	15,283
Total non-current assets	180,519	260,165	279,685	322,114	362,354
Cash & cash equivalents	4,228	5,739	4,284	5,572	8,128
Inventories	1,091	2,380	2,380	2,380	2,380
Trade receivables	12,635	25,235	25,067	27,066	29,028
Prepayments	6,594	7,968	7,968	7,968	7,968
Amounts due from related parties	6,098	4,111	4,111	4,111	4,111
Others current assets	239	209	213	216	220
Total current assets	30,886	45,642	44,023	47,313	51,835
Total assets	211,405	305,807	323,708	369,427	414,189
Short-term debts	16,727	19,629	35,854	55,733	77,317
Borrowings from related parties	4,719	10,441	10,441	10,441	10,441
Trade and other payables	18,164	25,841	27,061	27,710	28,482
Other current liabilities	6,315	19,259	19,284	19,310	19,338
Total current liabilities	45,925	75,171	92,641	113,195	135,578
Long-term debts	62,212	99,652	92,153	108,749	120,835
Borrowings from related parties	10,415	16,583	17,578	17,753	17,931
Other non-current liabilities	24,262	19,381	20,043	20,161	20,280
Total non-current liabilities	96,890	135,615	129,774	146,664	159,046
Total liabilities	142,815	210,786	222,416	259,859	294,624
Total shareholders' equity	46,969	53,640	58,371	64,210	71,043
Minority interest	21,621	41,381	42,921	45,359	48,523
Total equity	68,590	95,021	101,292	109,569	119,566

Financial Ratios

	2022A	2023F	2024F	2025F	2025F
Margins					
Operating margin	17.4%	19.7%	29.3%	34.4%	38.3%
Net profit margin	6.1%	10.2%	14.8%	18.3%	20.7%
Return Ratios					
ROA	1.3%	1.5%	2.4%	2.9%	3.2%
ROE	5.6%	5.8%	9.5%	11.0%	12.4%
Liquidity & leverage					
Debt to asset	55.2%	55.2%	55.3%	58.4%	60.3%
Net gearing	163.8%	171.5%	172.6%	191.9%	202.2%
Interest coverage ratio (x)	1.7	1.7	2.5	3.3	4.1

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance>15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance>5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance<-5%; Or the fundamental outlook of the sector is unfavorable.

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