

2014 年 12 月 1 日

买入
维持

Market Data: Nov, 28

Closing Price (HK\$)	
Price Target (HK\$)	9.09
HSCEI	11,145
HSCCI	4,535
52-week High/Low (HK\$)	9.38/6.12
Market Cap (US\$m)	16,907
Market Cap (HK\$m)	131,081
Shares Outstanding (m)	14,420
Exchange Rate (Rmb-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

Analyst

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Related Reports

"HUANENG POWER INTL INC-H (902:HK)— Shifting gear " Nov 24,2014

"HUANENG POWER INTL INC-H (902:HK)— Assets acquisition " Nov 7,2014

"HUANENG POWER INTL INC-H (902:HK)— New growth " Oct 13,2014

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收购获批，增长重启

华能国际电力股份 (902:HK)

Financial summary and valuation

	2012	2013	2014E	2015E	2016E
Revenue (Rmbm)	133,966.66	133,832.87	130619.20	151478.63	158948.10
YoY (%)	0.41	(0.10)	(2.40)	15.97	4.93
Net income (Rmbm)	6,366.42	12,900.02	12869.41	18571.69	21499.23
YoY (%)	439.07	102.63	(0.24)	44.31	15.76
EPS (Rmb)	0.39	0.74	0.77	1.08	1.21
Diluted EPS (Rmb)	0.39	0.74	0.77	1.08	1.21
ROE (%)	9.65	17.16	16.59	21.28	22.13
Debt/asset (%)	74.54	71.33	68.94	66.02	63.37
Dividend Yield (%)	2.82	5.10	6.19	8.93	10.33
PE (x)	18.98	10.04	9.34	6.67	5.97
PB (x)	1.59	1.39	1.31	1.16	1.04
EV/Ebitda (x)	6.21	5.35	5.27	4.86	4.21

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

投资要点:

资产注入获批。11月28日周五华能股东大会批准了从母公司收购9.5GW资产的议案（9.5GW中7.2GW是在役机组，2.3GW是在建机组）。收购金额为99亿元，资产对应13年4.9倍PE和1.0倍PB。

业绩增厚。收购资产将在2015年1月1日并表。由于在建机组都将于2015年上半年投产，我们预计此次资产收购将增厚公司15年业绩约21亿元（15年归属股东利润达到156亿）同比14年（111亿）增长40%。

更多资产注入可期。我们预计公司会继续同从母公司收购资产来维持快速增长。母公司目前可被收购的资产装机约67GW，可以支持5年每年约15GW的收购。公司通过收购达到的装机的5年年化增长率可达12.8%。

更多利好。我们预计15年上半年的多次降息将减少公司的利息支出，增厚公司业绩。我们测算25个基点的降息将提升公司15年利润约1%。公司也是电力改革的最大受益者之一。鉴于公司高效机组占比高的特点，电改之后通过竞争，公司可以获得更多的供电合同，提升产能利用率。虽然售电价格因市场化竞争而下降，但产能利用率的提升仍可使公司的利润增长约22%。

维持买入。收购议案的通过，公司利润增长将超越我们之前的预测。我们调高15/16年每股收益至1.08/1.21（之前为0.94/1.03），同比增长分别为40%/11.6%。由于收购在15年并表，我们维持14年每股收益0.77元不变（同比增长4.2%）。我们提升目标价至HK\$12.49（之前为HK\$10.53）。我们的目标价对应现价有37%的涨幅，维持买入评级。

Investment Highlights:

Assets injection approval. On Friday 28 November, shareholders of Huaneng Power International approved the company's proposal to acquire assets with total installed capacity of 9.5GW from its parent (7.2GW operating capacity and 2.3GW capacity in construction). The total assets to be purchased are priced at 4.9x 13A PE and 1.0 13A PB with consideration of Rmb9.9bn.

Earnings enhancement. Huaneng will consolidate the earnings of these assets on 1 January 2015. Since all the capacity under construction will be put into operation in 1H15, we expect the earnings contribute Rmb2.1bn in 2015 (total earnings to shareholders of Rmb15.6bn), a 40% upside from 2014 (Rmb11.1bn).

More assets injection to come. We believe the company would keep acquiring assets from parent company to achieve decent growth. The parent company has c.67GW assets to be waited to inject to the listco. With annual acquisition of 15GW, the process could last for around five years. The five-years Cagr of capacity of HPI could be 12.8%.

More upside. We expect more interest rate cuts to come in 1H15, lowering the financial expense and enhance HPI's profits. We estimate 25bp interest rate cut could lead HPI's earnings to increase by 1%. Electricity reform could also benefit the company. Equipping more efficient power generation units, HPI could win more power sale contracts when IPP compete at market power price. Therefore its utilization could increase by large extent. Though the power sale price (on-grid tariff) may lower due to competition, the spike of utilisation could enhance the company's earnings by 22% by our forecasts.

Maintain BUY. With this approval, we believe the earnings growth could be higher than our previous expectations. We raise our EPS forecasts from Rmb0.94 to Rmb1.08 in 15E (+40% YoY) and from Rmb1.03 to Rmb1.21 in 16E (+11.6% YoY). Since the injection will be completed in 2015, we maintain our EPS forecast of Rmb0.77 in 14E (+4.2% YoY). We revise up our target price from HK\$10.53 to HK\$12.49. With 37% upside, we maintain BUY recommendation.

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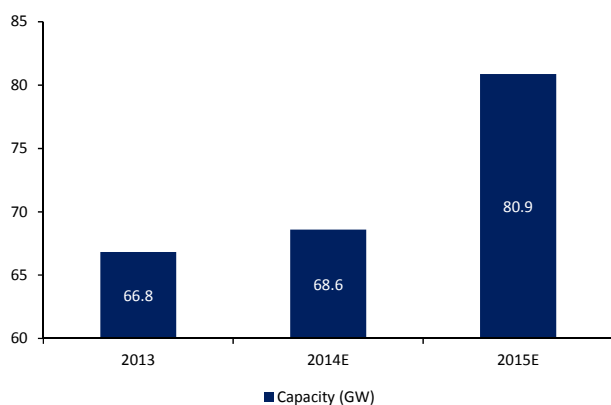
Figure 1: Assets for injection

	Equity	May 2014 (Rmb m)			First 5 moth of 2014 (Rmb m)		2013 (Rmb m)		Capacity (MW)	
		Assets	Liability	Equity	Rev	Profit	Rev	Profit	In operation	In construction
Yingcheng plants	100%	1,144	938	206						400
Wuhan plants	75%	5,088	3,609	1,479	1,765	269	4,493	789	2,460	
Ruijin plants	100%	2,462	2,208	254	527	45	1,352	84	700	
Suzhou plants	53%	618	269	349	202	26	485	48	120	
Hainan plants	92%	9,840	7,059	2,781	2,730	520	6,267	829	2,598	
Chaohu plants	60%	3,030	1,987	1,043	983	114	2,560	237	1,200	
Dalongtan hydro	97%	333	249	84	15	-9	37	41	38	
Anyuan plants	100%	2,345	2,444	-100	76	-48	468	-92	0	1,200
Hualiangting hydro	100%	46	42	4	6	-30	23	0	40	
Jinmen plants	100%	1,798	1,410	388	0	0	0	0	0	700
Total		26,703	20,217	6,486	6,304	886	15,685	1,936	7,155	2,300

Source: Company data, SWS Research

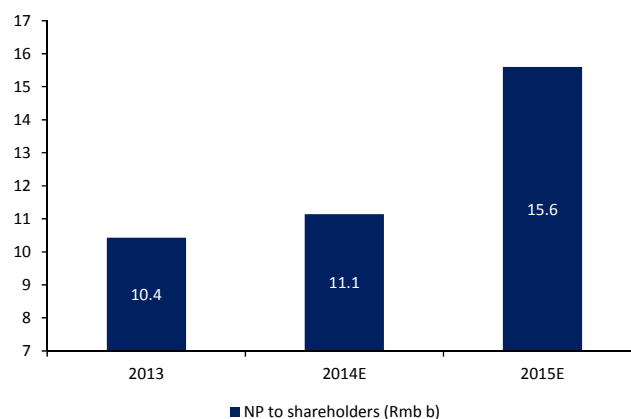
Earnings enhancement. Huaneng will consolidate the earnings of these assets on 1 January 2015. Since all the capacity under construction will be put into operation in 1H15, we expect the earnings contribute Rmb2.1bn in 2015 (total earnings to shareholders of Rmb15.6bn), a 40% upside from 2014 (Rmb11.1bn).

Fig 2: Capacity growth pick up due to the assets acquisition



Source: Company data, SWS Research

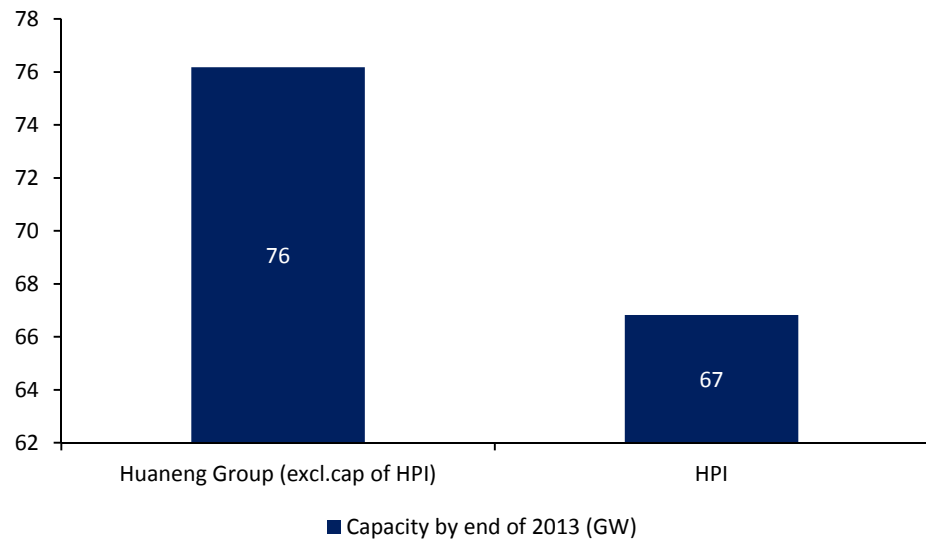
Fig 3: Earnings increase due to the assets acquisition



Source: Company data, SWS Research

More assets injection to come. We believe the company would keep acquiring assets from parent company to achieve decent growth. The parent company has c.67GW assets to be waited to inject to the listco. With annual acquisition of 15GW, the process could last for around five years. The five-years Cagr of capacity of HPI could be 12.8%.

Fig 4: Parent company still has large amount of capacity to be injected to the listco.



Source: Company data, SWS Research

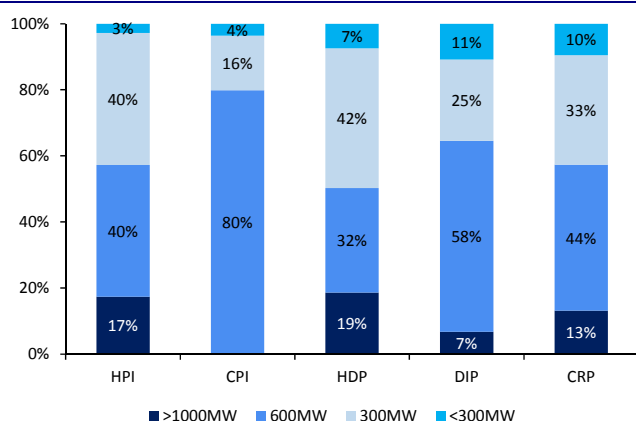
More upside. We expect more interest rate cuts to come in 1H15, lowering the financial expense and enhance HPI's profits. We estimate 25bp interest rate cut could lead HPI's earnings to increase by 1%. Electricity reform could also benefit the company. Equipping more efficient power generation units, HPI could win more power sale contracts when IPP compete at market power price. Therefore its utilization could increase by large extent. Though the power sale price (on-grid tariff) may lower due to competition, the spike of utilisation could enhance the company's earnings by 22% by our forecasts.

Figure 5: HPI's earnings sensitivity

HPI 2015E NP sensitivity	2015E
Base case NP (Rmbm)	18,572
Case 1. net profit change with extra 1% decrease in average fuel cost	19,074
YoY (%)	2.7%
Case 2. net profit change with extra 1% rise in utilization hours	18,966
YoY (%)	2.1%
Case 3. net profit change with extra 1% rise in on-grid tariff	19,499
YoY (%)	5.0%
Case 4. net profit change with extra 25bp interest rate cut	18,756
YoY (%)	1.0%

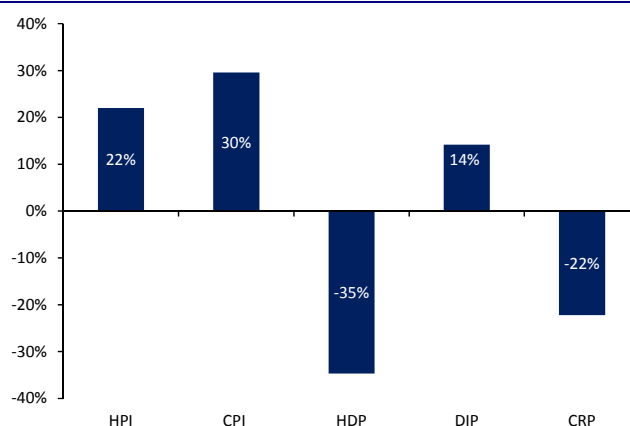
Source: Company data, SWS Research

Fig 6: Listed IPPs capacity structure



Source: Company data, SWS Research

Fig 7: Earnings impact, by IPP



Source: Company data, SWS Research

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Appendix

Consolidated Cash Flow Statement

Rmbm	2012	2013	2014E	2015E	2016E
Profit Before Taxation	8,877	17,423	17,629	25,441	29,451
Depr And Amortisation	11,256	11,546	13,292	14,231	15,159
Finance Cost	8,897	7,787	7,610	6,939	6,759
Losses From Investments	1	6	0	0	0
Change In Working Capital	-176	6,778	-1,708	-1,623	-854
Others	-1,928	-3,308	-5,248	-7,494	-8,656
CF From Operating Activities	26,928	40,239	31,575	37,494	41,858
Capex	15,475	17,691	14,587	16,916	17,750
Other CF From Investing Activities	165	-1,363	0	0	0
CF From Investing Activities	-15,310	-19,054	-14,587	-16,916	-17,750
Equity Financing	665	868	0	0	0
Net Change In Liabilities	-681	-10,918	-12,135	-3,101	-3,211
Dividend And Interest Paid	-10,105	-11,782	-12,951	-13,374	-16,045
Other CF From Financing Activities	304	232	0	0	0
CF From Financing Activities	-9,817	-22,240	-25,087	-16,475	-19,255
Net Cash Flow	1,953	-1,164	-8,098	4,103	4,853
FCFF	46,163	64,790	55,498	67,801	75,335
FCFE	36,585	46,085	35,752	57,761	65,366

Consolidated Income Statement

Rmbm	2012	2013	2014E	2015E	2016E
Revenue	133,967	133,833	130,619	135,369	142,355
Power and heat sale	131,937	133,833	130,619	135,369	142,355
Other	2,030	0	0	0	0
Cost of Sales	83,027	74,852	68,483	68,235	69,402
Power and heat sale	81,367	73,355	67,113	66,870	68,014
Other	1,661	1,497	1,370	1,365	1,388
Gross Profit	50,939	58,981	62,136	74,789	81,093
Other Income	984	1,005	813	1,113	1,021
Ebitda	37,194	43,239	45,470	52,579	57,247
Ebit	17,098	24,252	24,568	31,408	35,329
Finance Costs	-9,064	-7,693	-7,610	-6,939	-6,759
Profit Before Tax	8,877	17,423	17,629	25,441	29,451
Income Tax Expense	-2,510	-4,523	-4,760	-6,869	-7,952
Minority Interests	854	2,474	1,726	2,971	4,085
Profit for the Year	6,366	12,900	12,869	18,572	21,499

Consolidated Balance Sheet

Rmbm	2012	2013	2014E	2015E	2016E
Current Assets	36,086	33,629	25,044	31,050	38,268
Bank Balances And Cash	10,624	9,433	1,243	5,346	10,199
Trade And Other Receivables	15,300	15,562	15,867	16,926	18,626
Inventories	7,022	6,469	5,886	5,957	6,338
Other Current Assets	3,139	2,165	2,047	2,821	3,104
Long Term Investment	17,650	19,790	18,278	16,940	15,760
PPE	177,014	181,415	183,219	185,904	188,496
Intangible And Other Assets	28,351	27,398	23,240	22,916	22,690
Total Assets	259,100	262,233	249,780	256,810	265,214
Current Liabilities	189,044	183,219	168,987	166,348	164,848
Borrowings	167,398	155,800	143,665	140,564	137,353
Trade And Other Payables	19,993	25,321	23,310	23,590	25,100
Other Current Liabilities	1,653	2,098	2,013	2,194	2,394
Long Term Liabilities	4,096	3,821	3,205	3,205	3,206
Total Liabilities	193,140	187,040	172,192	169,553	168,054
Minority Interests	9,830	12,742	14,469	17,440	21,525
Shareholder Equity	0	0	0	0	0
Share Capital	14,055	14,055	14,055	14,055	14,055
Reserves	24,769	23,615	22,607	25,852	29,588
Equity Attributable	17,306	24,780	26,457	29,909	31,991
Total Liabilities And Equity	259,100	262,233	249,780	256,810	265,214

Key Financial Ratios

	2012	2013	2014E	2015E	2016E
Ratios per share (Rmb)					
Earnings per share	0.39	0.74	0.77	1.08	1.21
Operating CF Per Share	0.39	0.74	0.77	1.08	1.21
Dividend Per Share	1.92	2.86	2.19	2.60	2.90
Key Operating Ratios (%)	0.21	0.38	0.45	0.64	0.75
Net Assets Per Share	4.69	5.35	5.38	6.05	6.74
ROIC	14.6	18.7	19.9	24.5	27.0
ROE	9.7	17.2	16.6	21.3	22.1
Gross Margin	38.0	44.1	47.6	49.4	51.0
Ebitda Margin	35.9	40.6	44.9	44.0	45.5
Ebit Margin	20.9	26.5	28.9	30.0	31.7
Growth Rate Of Revenue	0.4	-0.1	-2.4	16.0	4.9
Growth Rate Of Profit	439.1	102.6	-0.2	44.3	15.8
Debt To Asset Ratio	74.5	71.3	68.9	66.0	63.4
Turnover Rate Of Net Assets	203.1	178.0	168.4	173.6	163.6
Turnover Rate Of Total Assets	51.7	51.0	52.3	59.0	59.9
Effective Tax Rate	9.0	12.8	12.6	15.1	15.8
Dividend Yield	2.91	5.27	6.19	8.93	10.33
Valuation Ratios (x)					
PE	18.4	9.7	9.3	6.7	6.0
PB	1.5	1.3	1.3	1.2	1.1
EV Sale	2.2	2.1	2.2	1.9	1.7
EV/Ebitda	6.1	5.3	4.9	4.2	3.8

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Trading BUY: Share price performance is expected to generate more than 20% upside over a 6-month period.

BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

Industry Investment Rating:

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Equal weight : Industry performs about the same as that of the whole market ;

Underweight : Industry performs worse than that of the whole market.

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