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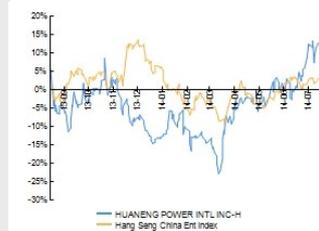
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## 增发方案助力资产收购 华能国际电力股份 (902:HK)

### Market Data: Nov, 06

Closing Price (HK\$)	
Price Target (HK\$)	8.92
HSCEI	10,569
HSCCI	4,449
52-week High/Low (HK\$)	9.38/6.12
Market Cap (US\$m)	16,170
Market Cap (HK\$m)	125,371
Shares Outstanding (m)	14,055
Exchange Rate (Rmb-HK\$)	1.26

### Price Performance Chart:



Source: Bloomberg

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### Related Reports

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

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### Financial summary and valuation

	2012	2013	2014E	2015E	2016E
Revenue (RMB million)	133,966.66	133,832.87	130,619.20	135,368.77	142,354.93
YOY (%)	0.41	(0.10)	(2.40)	3.64	5.16
Net income (RMB million)	6,366.42	12,900.02	12,818.54	15,239.88	17,958.17
YOY (%)	439.07	102.63	(0.63)	18.89	17.84
EPS (RMB)	0.39	0.74	0.77	0.92	1.01
Diluted EPS (RMB)	0.39	0.74	0.77	0.92	1.01
ROE (%)	9.65	17.16	16.53	18.15	19.50
Debt/asset (%)	74.54	71.33	68.95	66.70	64.22
Dividend Yield (%)	2.82	5.10	5.97	7.10	8.36
P/E (x)	18.98	10.04	9.67	8.14	7.38
P/B (x)	1.59	1.39	1.38	1.28	1.17
EV/EBITDA (x)	6.21	5.35	5.00	4.58	4.16

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:

**配股方案公布。**华能国际11月5日晚间宣布配股方案。公司将发行3.65亿股H股，每股发行价为HK\$8.6，较公司11月5日收盘价折让8.3%。发行规模占原来总股本的2.6%，占扩大后股本的2.53%。公司披露配股所得资金，约31亿港币将补充公司流动资金。

**影响正面。**我们认为此次配股方案实际为支持资产收购服务。公司将从母公司以自由现金收购电力资产总价合计达 92.8 亿人民币。目前公司手持现金 94 亿，因此此次配股增加运营现金可理解为收购的配套融资。募集资金和可以缓解公司因收购而导致的现金紧张的态势，从而使收购顺利进行。

**锁定未来增长。**此次收购标的对应 13 年 PE4.9 倍，PB1.0 倍，对比目前公司 14 年 9.4 倍 PE 和 1.3 倍 PB 的交易估值收购价格十分低廉。收购将为公司增加 9.5GW 的装机量（其中 7.2GW 为在产产能，2.3GW 为在建产能），相对于 14 年的总装机量有 14.4%的增长（2.3GW 的在建产能将于 2015 年投产）。我们估算收购资产将增厚 15 年业绩约 16.5%，合计贡献税后净利润约 21 亿。

**配股摊薄效益有限。**介于配股股数仅占扩大后股份数的 2.53%，我们认为此次增发对利润的摊薄将十分有限。我们调整 14-16 年扩大股本后每股收益至 0.77/0.92/1.01。目前股价交易在 14-16 年 PE 分别为 9.6 倍，8.1 倍和 7.3 倍。我们下调目标价至 HK\$10.53。目标价对应现在股价有近 18%的涨幅，我们下调评级至增持。

### Investment Highlights:

**Share placement announcement.** On Tuesday 5<sup>th</sup> November, Huaneng Power International (HPI) announced a share placement plan. The company plans to issue 365m H-shares at HK\$8.6/share (8.3% discount to its closing price of HK\$9.38 on 5 November). The new shares will account for 2.6% of the total issued shares and 2.53% of enlarged shares. The net proceeds from the placement (approximately HK\$3.1bn) will be used to supplement the working capital of the company.

**Positive impact.** We believe the true purpose of the share placement is to fund the assets purchase from HPI's parents company. The total consideration of the purchase is Rmb9.28bn, the company will finance this using its available cash. Given that the current cash was Rmb9.4bn, HPI may raise cash for its daily operation. We believe the share placement will solve the tight cash position after the company finishing the assets purchase and made the purchase more easily executed.

**Secured growth.** The total assets the company is going to purchase are priced at 4.9x 13A PE and 1.0 13APB. We believe this is a good bargain (the company is currently trading at 9.4x 14E PE and 1.3x 14E PB). The total capacity addition from its assets purchase is 9.5GW (7.2GW operating capacity and 2.3GW capacity in construction), a 14.4% increase from its current capacity (the company announced that the constructed capacity will be put in operation in 2015). We believe net profit could see upside of 16.5% in 2015, since we estimate the earnings from the assets purchase to be Rmb2.1bn during the same period.

**Minimal dilution.** Given that the placing share accounts for just 2.53% of enlarged shares, the dilution of earnings could be minimal. After the placement, we forecast EPS of Rmb0.77 for 14E, Rmb0.92 in 15E and Rmb1.01 in 16E. The stock is currently trading at 9.6x 14E PE, 8.1x 15E PE and 7.3x 16E PE. Given the dilution, we revise down our target price from HK\$10.81 to HK\$10.53. With 18% upside, we downgrade the rating to Outperform.

## Appendix

### Consolidated Cash Flow Statement

Rmbm	2012	2013	2014E	2015E	2016E
Profit Before Taxation	8,877	17,423	17,594	20,941	24,662
Depr And Amortisation	11,256	11,546	13,292	14,225	15,137
Finance Cost	8,897	7,787	7,645	7,344	7,153
Losses From Investments	1	6	0	0	0
Change In Working Capital	-176	6,778	-1,708	-1,522	-719
Others	-1,928	-3,308	-5,239	-6,201	-7,277
CF From Operating Activities	26,928	40,239	31,584	34,787	38,956
Capex	15,475	17,691	14,587	15,117	15,897
Other CF From Investing Activities	165	-1,363	0	0	0
CF From Investing Activities	-15,310	-19,054	-14,587	-15,117	-15,897
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	-12,986	-13,766	-14,796
Other CF From Financing Activities	304	232	0	0	0
CF From Financing Activities	-9,817	-22,240	-25,122	-16,866	-18,007
Net Cash Flow	1,953	-1,164	-8,124	2,804	5,052
FCFF	46,163	64,790	55,488	60,932	68,012
FCFE	36,585	46,085	35,708	50,487	57,649

### 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	67,134	72,953
Other Income	984	1,005	778	903	855
Ebitda	37,194	43,239	45,505	49,027	53,328
Ebit	17,098	24,252	24,568	27,458	31,039
Finance Costs	-9,064	-7,693	-7,645	-7,344	-7,153
Profit Before Tax	8,877	17,423	17,560	20,877	24,600
Income Tax Expense	-2,510	-4,523	-4,741	-5,637	-6,642
Minority Interests	854	2,474	1,719	2,044	3,412
Profit for the Year	6,366	12,900	12,819	15,240	17,958



### Consolidated Balance Sheet

Rmbm	2012	2013	2014E	2015E	2016E
<b>Current Assets</b>	36,086	33,629	25,018	28,251	34,159
Bank Balances And Cash	10,624	9,433	1,218	4,022	9,073
Trade And Other Receivables	15,300	15,562	15,867	15,959	16,663
Inventories	7,022	6,469	5,886	5,610	5,645
Other Current Assets	3,139	2,165	2,047	2,660	2,777
<b>Long Term Investment</b>	17,650	19,790	18,278	16,940	15,760
PPE	177,014	181,415	183,219	184,111	184,871
<b>Intangible And Other Assets</b>	28,351	27,398	23,240	22,916	22,690
<b>Total Assets</b>	259,100	262,233	249,754	252,217	257,480
<b>Current Liabilities</b>	189,044	183,219	168,987	164,974	162,101
Borrowings	167,398	155,800	143,665	140,564	137,353
Trade And Other Payables	19,993	25,321	23,310	22,216	22,353
Other Current Liabilities	1,653	2,098	2,013	2,194	2,394
<b>Long Term Liabilities</b>	4,096	3,821	3,205	3,205	3,206
<b>Total Liabilities</b>	193,140	187,040	172,192	168,179	165,306
<b>Minority Interests</b>	9,830	12,742	14,465	16,516	19,936
<b>Shareholder Equity</b>	0	0	0	0	0
Share Capital	14,055	14,055	14,055	14,055	14,055
Reserves	24,769	23,615	22,597	25,200	27,939
<b>Equity Attributable</b>	17,306	24,780	26,444	28,266	30,243
<b>Total Liabilities And Equity</b>	259,100	262,233	249,754	252,217	257,480



### Key Financial Ratios

	2012	2013	2014E	2015E	2016E
Ratios per share (Rmb)					
Earnings per share	0.39	0.74	0.77	0.92	1.01
Operating CF Per Share	0.39	0.74	0.77	0.92	1.01
Dividend Per Share	1.92	2.86	2.19	2.41	2.70
Key Operating Ratios (%)	0.21	0.38	0.45	0.53	0.62
Net Assets Per Share	4.69	5.35	5.38	5.83	6.39
ROIC					
ROE	14.6	18.7	19.9	22.2	24.7
Gross Margin	9.7	17.2	16.6	18.2	19.5
Ebitda Margin	38.0	44.1	47.6	49.6	51.2
Ebit Margin	35.9	40.6	44.9	46.6	48.0
Growth Rate Of Revenue	20.9	26.5	28.9	30.7	32.3
Growth Rate Of Profit	0.4	-0.1	-2.4	3.6	5.2
Debt To Asset Ratio	439.1	102.6	-0.4	19.0	17.8
Turnover Rate Of Net Assets	74.5	71.3	68.9	66.7	64.2
Turnover Rate Of Total Assets	203.1	178.0	168.4	161.1	154.4
Effective Tax Rate	51.7	51.0	52.3	53.7	55.3
Dividend Yield	9.0	12.8	12.6	13.6	14.5
Valuation Ratios (x)	2.82	5.10	5.98	7.12	8.39
PE					
PB	19.0	10.0	9.7	8.1	7.4
EV Sale	1.6	1.4	1.4	1.3	1.2
EV/Ebitda	2.2	2.2	2.2	2.1	2.0

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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.

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