

China Longyuan (001289 CH)

Oct operating data recap

China Longyuan (CLY)'s operating data in Oct 2023 was lower than our expectation, with a YoY decline of 10.99% in total power generation due to lower wind power generation. However, thermal power and other renewable power showed solid growth. CLY has implemented share repurchases to demonstrate confidence in its operations. Additionally, as a pioneer of renewable power operator in China, CLY is expected to benefit from the collaborative efforts of China and the US to triple global renewable energy installed capacity by 2030. Consequently, **we adjust our TP to RMB23.98 and maintain BUY.**

■ **Oct operating data slightly missed our estimates.** In Jan-Oct 2023, CLY recorded accumulated power generation of 60,953,811 MWh, up by 5.87% YoY. In particular, wind power generation rose by 3.31% YoY, while its thermal power generation dropped by 3.07% YoY. During the same period, other solar and renewable power maintained rapid growth of 139.05% YoY. In Oct 2023, CLY's power generation declined by 10.99% YoY to 5,449,262MWh, dragged by lower wind power generation which declined by 19.59% YoY. However, thermal power and other renewable power remained solid growth, up by 15.57%YoY and 162.92% YoY.

■ **CLY previously approved and implemented a resolution to repurchase H shares.** The share repurchase will be carried out in multiple stages, with the price not exceeding 5% of the average closing price of the company's H shares in five trading days prior to the repurchase. The repurchase quantity will not exceed 10% of the total H shares issued. In Nov 2023, CLY repurchased 3.58mn H shares (accounted for 0.0427% of existed issued shares) at a price range of HK\$ 6.07-6.43/share, totalling HK\$ 22.5mn. CLY plans to continue the share buyback to demonstrate confidence in its operations and regard the current share price as attractive.

■ **CLY as the pioneer of renewable power operator in China will benefit from China-US collaboration in tripling renewable energy capacity by 2030 under the Sunnylands Statement.** China and the US worked jointly in The Sunnylands Statement to address the climatic crisis and strive to triple global renewable energy capacity by 2030. CLY is the pioneer of renewable power operators in China, its new energy installation process and development will be further speed up. For 2023E, we believe CLY may achieve its previous newly-added installed capacity target of 5500MW.

■ **TP was adjusted to RMB23.98, maintain BUY.** Thanks to the strong operating data of Jan-Oct 2023, we lowered our estimated wind power utilization hour and solar power utilization hours, and updated our predicted power generation to 78,575GWh/92,919GWh/109,795GWh for 23E/24E/25E. Therefore, we slightly adjusted our TP to RMB23.98 for CLY-A, based on 22x FY24E PE and FY24E rolling EPS of RMB1.09. Maintain BUY.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	39,893	39,863	42,097	46,268	51,027
YoY growth (%)	38.5	(0.1)	5.6	9.9	10.3
Net profit (RMB mn)	7,423.8	5,112.2	7,866.0	9,101.3	9,953.7
YoY growth (%)	49.2	(31.1)	53.9	15.7	9.4
EPS (Reported) (RMB)	0.92	0.61	0.94	1.09	1.19
ROE (%)	11.7	7.4	10.9	11.5	11.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **RMB23.98**
 (Previous TP) RMB23.28
Up/Downside **24%**
Current Price **RMB19.39**

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Stock Data

Mkt Cap (RMB mn)	115,764
Avg 3 mths t/o (RMB mn)	46.83
52w High/Low (RMB)	22.46/16.9
Total Issued Shares (mn)	8,382

Source: FactSet

Shareholding Structure

China Energy Corporation Limi	54.91%
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Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-4.1%	-2.1%
3-mth	-0.3%	8.4%
6-mth	-4.7%	4.8%

Source: FactSet

12-mth Price Performance



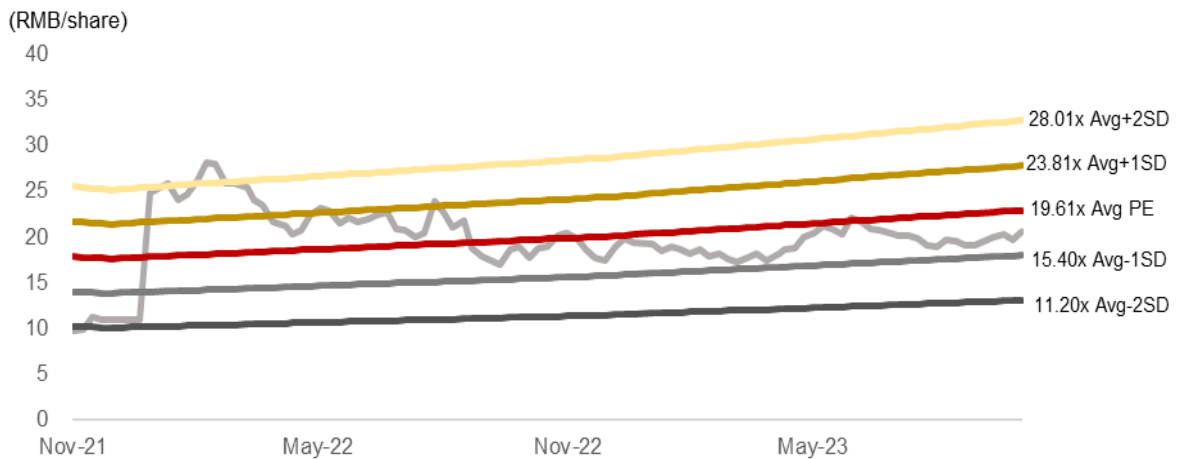
Source: FactSet

Figure 1: Revision table

	Old			New			Change(%)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Wind power generation(GWh)	63,002	72,621	82,573	61,775	70,708	80,557	-1.9%	-2.6%	-2.4%
Coal-fired power generation (GWh)	10,573	10,573	10,573	10,573	10,573	10,573	0.0%	0.0%	0.0%
Solar power generation(GWh)	6,476	12,585	19,614	6,227	11,637	18,666	-3.9%	-7.5%	-4.8%
Revenue (RMB mn)	42,649	47,248	52,036	42,097	46,268	51,027	-1.3%	-2.1%	-1.9%
Net Income (RMB mn)	8,109	9,552	10,360	7,866	9,101	9,954	-3.0%	-4.7%	-3.9%
EPS (RMB)	0.970	1.140	1.240	0.938	1.086	1.188	-3.3%	-4.8%	-4.2%

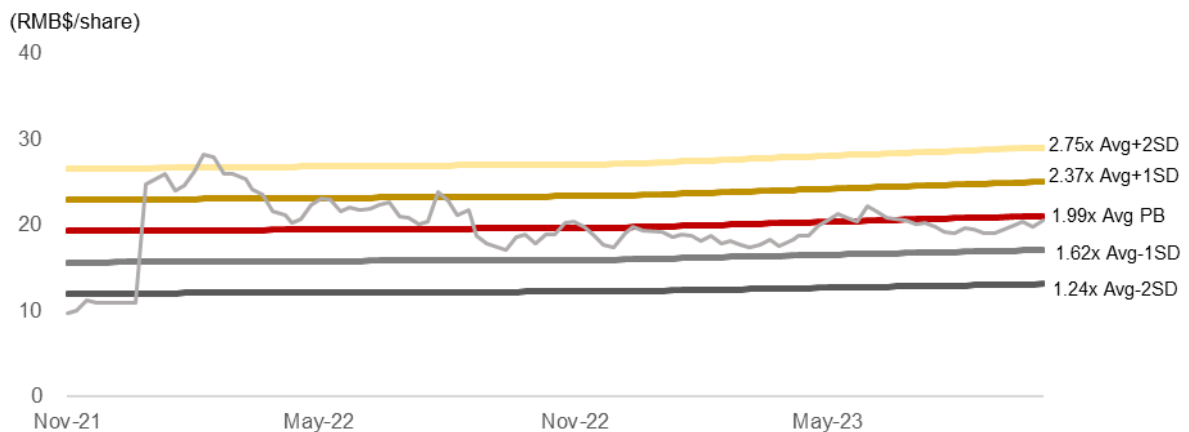
Source: Company data, CMBIGM estimates

Figure 2: PE Band



Source: Company data, CMBIGM estimates

Figure 3: PB Band



Source: Company data, CMBIGM estimates

Figure 4: Peers table (H-shares)

Company	Ticker	Closing Price (HK\$)	Mkt cap (HK\$m)	EPS				23-25E CAGR	PER			PBR		
				23E	24E	25E	23E		24E	25E	23E	24E	25E	
CHINA SUNTIEN-H	956 HK	2.58	24846.02	0.52	0.63	0.78	22.5%	4.53	3.72	3.02	0.46	0.43	0.38	
CHINA POWER INTE	2380 HK	2.84	35131.23	0.32	0.45	0.56	33.7%	8.24	5.78	4.61	0.70	0.63	0.58	
CHINA RES POWER	836 HK	14.82	71290.78	2.66	3.07	3.68	17.6%	5.57	4.83	4.03	0.79	0.72	0.64	
CGN NEW ENERGY H	1811 HK	1.88	8066.75	0.07	0.07	0.09	11.8%	3.54	3.35	2.83	na	na	na	
CHINA LONGYUAN-H	916 HK	5.90	126729.85	0.96	1.11	1.29	16.2%	5.64	4.84	4.18	0.60	0.54	0.55	
CHINA DATANG C-H	1798 HK	1.63	11856.13	0.40	0.43	0.51	13.6%	3.77	3.48	2.92	0.59	0.51	0.44	
DATANG INTL PO-H	991 HK	1.17	40668.08	0.19	0.27	0.32	29.8%	5.63	3.96	3.34	0.30	0.28	0.26	
HUANENG POWER-H	902 HK	3.81	106639.31	0.93	0.91	1.11	9.4%	3.76	3.81	3.14	0.63	0.54	0.46	
HUADIAN POWER-H	1071 HK	3.10	51812.59	0.57	0.70	0.82	19.7%	4.95	4.05	3.46	0.54	0.49	0.43	
CONCORD NE	182 HK	0.66	5573.51	0.12	0.14	0.17	19.0%	5.02	4.31	3.55	0.95	0.90	0.79	
								5.1	4.2	3.5	0.6	0.6	0.5	

Source: Company data, CMBIGM estimates

Figure 5: Peers table (A-shares)

Company	Ticker	Closing Price (HK\$)	Mkt cap (HK\$m)	EPS			23-25E CAGR	PER			PBR		
				23E	24E	25E		23E	24E	25E	23E	24E	25E
CHINA LONGYUAN-A	001289 CH	19.39	115764.13	0.92	1.07	1.27	17.5%	21.08	18.14	15.27	2.16	1.96	1.76
CHINA THREE GO-A	600905 CH	4.60	131666.16	0.28	0.34	0.40	19.2%	16.31	13.41	11.47	1.57	1.42	1.28
HUANENG POWER-A	600011 CH	7.37	97411.99	0.92	0.95	1.11	10.0%	8.05	7.77	6.65	0.96	0.96	0.84
CHINA SOUTHERN-A	003035 CH	5.38	20378.79	0.16	0.22	0.29	33.2%	32.80	24.13	18.49	2.90	2.60	2.27
ZHONGMIN ENER-A	600163 CH	4.48	8525.42	0.40	0.43	0.45	5.5%	11.20	10.54	10.07	1.35	1.25	1.15
CECEP WIND POW-A	601016 CH	3.07	19877.37	0.27	0.31	0.31	7.2%	11.37	10.07	9.90	1.02	0.85	0.76
Average								16.8	14.0	12.0	1.7	1.5	1.3

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	28,807	39,893	39,863	42,097	46,268	51,027
Cost of goods sold	(18,085)	(25,348)	(26,139)	(27,304)	(29,274)	(32,191)
Others	(275)	(333)	(362)	(382)	(420)	(463)
Gross profit	10,448	14,212	13,362	14,411	16,574	18,373
Operating expenses	3,514	4,245	5,676	2,792	3,092	4,281
Selling expense	3	0	0	0	0	0
Admin expense	363	398	301	379	416	459
SG&A expense	3,148	3,998	3,806	3,250	3,517	3,825
Others	0	0	0	379	377	(442)
Operating profit	6,934	9,967	7,686	11,240	13,106	14,534
Other income	89	175	86	0	0	0
Other expense	41	126	135	0	0	0
Pre-tax profit	6,981	10,016	7,638	11,240	13,106	14,534
Income tax	1,233	1,599	1,542	2,247	2,685	3,051
After tax profit	5,748	8,417	6,096	8,993	10,420	11,484
Minority interest	770	993	983	1,127	1,319	1,530
Net profit	4,977	7,424	5,112	7,866	9,101	9,954
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	31,356	40,136	53,286	44,975	49,164	46,495
Cash & equivalents	5,588	4,175	20,493	11,775	14,236	9,642
Account receivables	1,594	1,094	1,362	1,244	1,388	1,553
Inventories	801	765	750	740	794	874
Prepayment	575	650	793	748	802	882
Other current assets	22,798	33,452	29,889	30,468	31,943	33,544
Non-current assets	143,272	165,010	169,609	187,514	214,385	244,618
PP&E	123,651	146,338	152,369	169,944	196,540	226,582
Right-of-use assets	14,690	13,757	13,132	13,441	13,667	13,808
Investment in JVs & assos	4,932	4,915	4,108	4,128	4,178	4,228
Other non-current assets	0	0	0	0	0	0
Total assets	174,629	205,146	222,895	232,489	263,549	291,113
Current liabilities	53,862	63,533	74,711	75,720	77,374	79,707
Short-term borrowings	15,341	19,893	18,524	18,624	18,624	18,624
Account payables	14,676	20,063	20,665	21,563	23,199	25,510
Tax payable	665	723	795	906	971	1,068
Other current liabilities	23,181	22,854	34,727	34,627	34,581	34,506
Non-current liabilities	53,895	63,191	68,105	67,888	87,591	102,295
Long-term borrowings	35,402	46,373	55,548	55,252	74,956	89,660
Bond payables	17,197	14,808	11,091	11,091	11,091	11,091
Other non-current liabilities	1,297	2,010	1,467	1,545	1,545	1,545
Share capital	8,036	8,036	8,382	8,382	8,382	8,382
Capital surplus	14,201	17,069	14,419	14,419	14,419	14,419
Retained earnings	27,866	35,071	38,625	44,722	51,403	58,614
Total shareholders equity	58,104	68,499	68,807	75,691	83,282	91,488
Minority interest	8,768	9,923	11,272	13,191	15,301	17,622
Total equity and liabilities	174,629	205,146	222,895	232,489	263,549	291,113

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,977	7,424	5,112	7,866	9,101	9,954
Depreciation & amortization	7,729	8,187	10,158	12,409	13,839	15,666
Change in working capital	(6,100)	(2,875)	2,915	508	(73)	407
Others	5,667	5,384	11,421	4,350	4,786	5,306
Net cash from operations	12,273	18,120	29,606	25,134	27,653	31,332
Investing						
Capital expenditure	(19,677)	(18,273)	(22,255)	(29,701)	(40,067)	(45,256)
Others	236	(737)	3,246	0	0	0
Net cash from investing	(19,441)	(19,010)	(19,009)	(29,701)	(40,067)	(45,256)
Financing						
Dividend paid	(2,916)	(3,399)	(4,501)	(4,231)	(5,027)	(5,573)
Net borrowings	6,029	17,006	8,261	(196)	19,704	14,704
Others	6,347	(14,413)	79	277	198	198
Net cash from financing	9,459	(807)	3,839	(4,150)	14,875	9,329
Net change in cash						
Cash at the beginning of the year	2,907	5,225	3,536	17,961	9,243	11,704
Cash at the end of the year	5,225	3,536	17,961	9,243	11,704	7,110
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	4.5%	38.5%	(0.1%)	5.6%	9.9%	10.3%
Gross profit	8.5%	36.0%	(6.0%)	7.8%	15.0%	10.9%
Operating profit	9.0%	43.7%	(22.9%)	46.2%	16.6%	10.9%
Net profit	10.0%	49.2%	(31.1%)	53.9%	15.7%	9.4%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	36.3%	35.6%	33.5%	34.2%	35.8%	36.0%
Operating margin	24.1%	25.0%	19.3%	26.7%	28.3%	28.5%
Return on equity (ROE)	8.9%	11.7%	7.4%	10.9%	11.5%	11.4%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	0.6	0.6	0.7	0.6	0.6	0.6
Receivable turnover days	1.7	3.0	5.1	5.1	5.1	5.1
Inventory turnover days	16.2	10.8	10.6	10.0	10.0	10.0
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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