

Suntien Green Energy (956 HK)

Limited virus impact; A-share listing on track

Suntien suffered limited impacts from COVID-19 outbreak. Mgmt. disclosed wind and gas business were in normal operations, while new project construction may be subject to 1-2 month delay (especially Beijing – Handan auxiliary gas pipeline). In FY19, Suntien delivered satisfactory growth from wind power generation and gas sales with YoY volume increased by 15.1% and 23.0%, respectively. In FY20, we expect Suntien to experience gas sales growth to slow due to virus outbreak, and wind power to maintain decent increment with capacity addition. Suntien is still on track to its A-share listing, and we remain positive on the Company. **Maintain BUY.**

- **FY19E earnings to increase mild.** We estimate FY19 earnings to increase 8.7% to RMB1,347mn. Our earnings reflects 1) a previous gas receivable provision write back of RMB32.5mn; 2) additional receivable provision of RMB73.9mn from more conservative accounting treatment as Suntien announced in Dec 2019; and 3) effective tax rate to increase 5.6ppt to 15.2%. Our forecast is 9.0% lower than consensus est. of RMB1,480mn.
- **A-Share hearing delayed, but still on track.** The Company had obtained CSRC feedbacks, but official hearing was delayed due to epidemic outbreak. Mgmt. is preparing FY19 earnings data for submission. After FY19 results announcement, we expect Suntien will proceed for A-share hearing.
- **FY20 outlook: earnings to remain resilient.** We expect Suntien to maintain stable operation given its utility business properties. According to the Company, preliminary operating data in Jan – Feb reflected a slow start from wind segment, with power output declined 7.5% YoY in 2M20 due to slow wind speed, while 2M20 gas sales volume maintained YoY growth at 11.3%. For FY20, we expect 1) wind power output to increase 13.8% mainly driven by capacity addition and subject to no virus impact; and 2) gas sales will likely suffer a drag, leading to decline of sales volume growth to 9.6%, according to our estimate. We find earnings to remain resilient, despite trimming gas sales growth, as we believe new receivables provision will be significant lower, and Suntien will likely to receive ~RMB60mn provision write back to attributable shareholder's profit.
- **FY19E dividend yield at 9.1%.** Based on our conservative estimates to consensus earnings, we still project a high dividend FY19E yield at 9.1% at 40% payout ratio. Trading at only 4.1x/0.47x FY20E PER/PBR, respectively, we believe Suntien is undervalued, and A-share listing will be a trigger for re-rating. **Maintain BUY.**

Earnings Summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue (RMB mn)	7,058	9,975	12,080	13,551	16,151
YoY growth (%)	60.99	41.34	21.10	12.18	19.19
Net income (RMB mn)	940	1,240	1,347	1,470	1,618
EPS (RMB)	0.25	0.33	0.36	0.40	0.44
YoY growth (%)	73.50	31.95	8.66	9.08	10.10
Consensus EPS(RMB)	N/A	N/A	0.39	0.44	0.47
P/E (x)	6.33	4.80	4.42	4.05	3.68
P/B (x)	0.69	0.59	0.50	0.47	0.43
Yield (%)	6.43	7.80	9.05	9.88	10.87
ROE (%)	10.92	12.35	11.39	11.52	11.73
Net gearing (%)	195	190	212	248	264

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$2.74
(Previous TP	HK\$2.74)
Up/Downside	+53.9%
Current Price	HK\$1.78

China Wind Sector

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Stock Data

Mkt Cap (HK\$ mn)	6,613
Avg 3 mths t/o (HK\$ mn)	9.7
52w High/Low (HK\$)	2.56/1.76
Total Issued Shares (mn)	1,876

Source: Bloomberg

Shareholding Structure

HECIC	50.5%
GIC	5.4%
Freefloat	44.1%

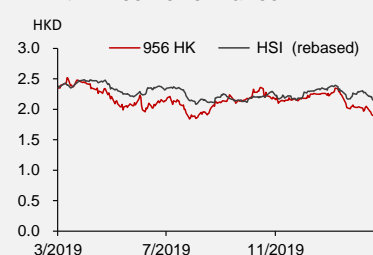
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-7.4%	-2.9%
3-mth	-11.7%	-10.5%
6-mth	-10.0%	-8.1%
12-mth	-17.1%	-10.5%

Source: Bloomberg

12-mth Price Performance



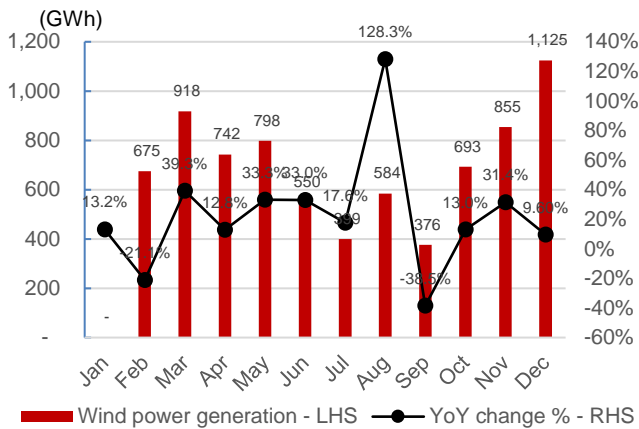
Source: Bloomberg

Auditor: Ernst & Young

Related Reports

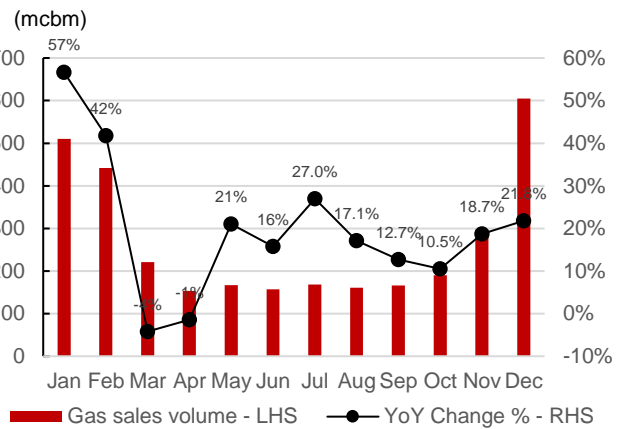
1. "Suntien Green Energy (956 HK) – Investing in Tangshan LNG terminal" – 18 Nov 2019
2. "Suntien Green Energy (956 HK) – 3Q19 operating performance on track" – 21 Oct 2019
3. "Suntien Green Energy (956 HK) – A share listing will be a potential catalyst" – 29 Aug 2019

Figure 1: Suntien's wind power generation distribution by month and YoY change; wind power generation surged 15.1% in 2019.



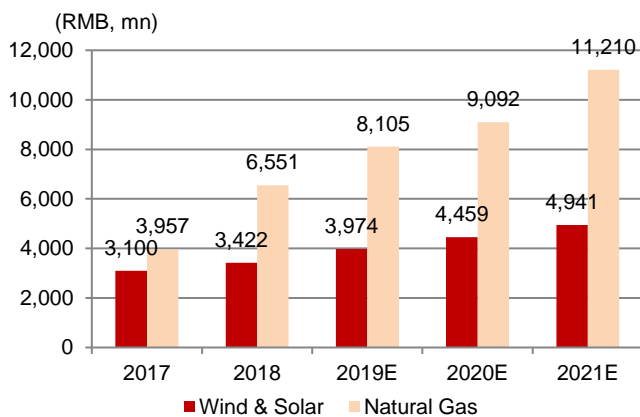
Source: Company data, CMBIS

Figure 2: Suntien's gas sales volume distribution by month and YoY change; gas sales volume surged 23.0% in 2019.



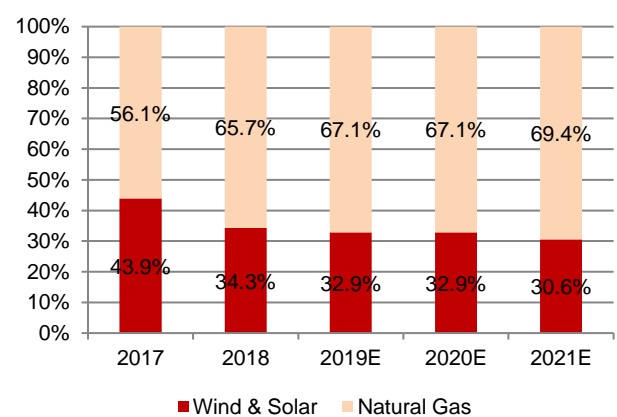
Source: Company data, CMBIS

Figure 3: Suntien's wind power and gas sales revenue



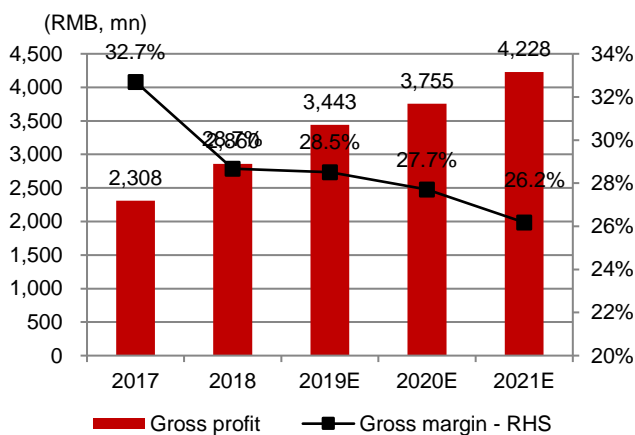
Source: Company data, CMBIS estimates

Figure 4: Power generation and gas sales revenue mix



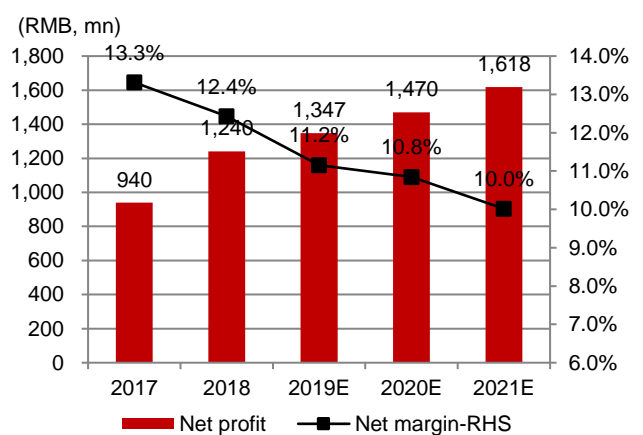
Source: Company data, CMBIS estimates

Figure 5: Gross profit vs. gross profit margin



Source: Company data, CMBIS estimates

Figure 6: Net profit vs. net margin



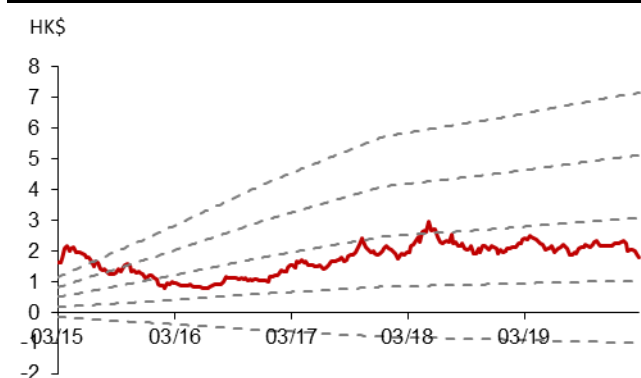
Source: Company data, CMBIS estimates

Figure 7: Earnings revision reflects resilient

	Old			New			Change(%)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Revenue (RMB mn)	12,731	15,436	18,210	12,080	13,551	16,151	-5.1%	-12.2%	-11.3%
Net Income (RMB mn)	1,329	1,483	1,615	1,347	1,470	1,618	1.4%	-0.9%	0.2%
EPS (RMB)	0.36	0.40	0.43	0.36	0.40	0.44	1.4%	-0.9%	0.2%

Our est. vs. Consensus						
Consensus Earnings (RMB mn)				1,480	1,629	1,766
Consensus EPS (RMB mn)				0.394	0.438	0.471

Source: Company data, CMBIS estimates

Figure 8: 12M forward P/E band

Source: Bloomberg, CMBIS

Figure 9: 12M forward P/B band

Source: Bloomberg, CMBIS

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	7,058	9,975	12,080	13,551	16,151
Wind & Solar	3,100	3,422	3,974	4,459	4,941
Natural Gas	3,957	6,551	8,105	9,092	11,210
Costs of sales	(4,750)	(7,116)	(8,637)	(9,796)	(11,923)
Other income & gains	81	100	79	79	81
Selling & distribution	(0)	(0)	(1)	(1)	(1)
Administrative expenses	(453)	(502)	(562)	(576)	(646)
Other expenses	(171)	(219)	(102)	(12)	(19)
Operating profit	1,764	2,239	2,858	3,246	3,643
Finance costs	(774)	(785)	(916)	(1,103)	(1,316)
Joint ventures & associates	214	290	300	365	414
Pre-tax profit	1,204	1,743	2,243	2,508	2,740
Income tax	(99)	(168)	(341)	(396)	(449)
Minority interests	(165)	(307)	(485)	(564)	(595)
Renewable green bond	-	(29)	(70)	(78)	(78)
Net profit	940	1,240	1,347	1,470	1,618

Cash flow summary

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Profit before tax	1,204	1,743	2,243	2,508	2,740
DD&A	1,125	1,308	1,540	1,887	2,320
Working cap change	(75)	(147)	(1,692)	266	(216)
Taxation	(126)	(217)	(361)	(396)	(449)
Others	496	91	-	-	-
Operating cash flow	2,642	2,778	1,730	4,265	4,395
Capex & investments	(4,324)	(5,568)	(8,352)	(10,255)	(8,624)
Others	754	(12)	12	-	-
Investment cash flow	(3,570)	(5,580)	(8,340)	(10,255)	(8,624)
Equity raised	-	-	-	-	-
Perpetual MTN raised	-	590	910	-	-
Change of Debts	2,963	2,673	6,502	6,883	5,742
Others	(901)	274	-	-	-
Financing cash flow	1,563	3,022	6,702	5,957	4,703
Net change in cash	634	220	92	(34)	474
Cash at beginning	1,491	2,110	2,240	2,333	2,299
Exchange difference	(15)	(89)	-	-	-
Cash at the end	2,110	2,240	2,333	2,299	2,772
Add: Acquired cash	-	-	-	-	-
Cash at balance sheet	2,110	2,240	2,333	2,299	2,772

Balance sheet

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Non-current assets	28,755	32,743	39,286	47,519	53,824
Fixed asset	22,466	26,584	33,026	41,091	47,046
Intangible assets	1,870	1,757	1,673	1,574	1,475
Associates & JVs	1,687	1,918	2,337	2,707	3,123
Prepayments	1,819	1,648	1,391	1,255	1,256
Others	913	837	859	892	923
Current assets	5,533	6,418	7,908	8,048	8,994
Cash	2,110	2,240	2,333	2,299	2,772
Receivables	2,564	3,296	3,646	3,995	4,463
Prepayments	789	812	1,844	1,664	1,664
Others	70	70	86	90	94
Current liabilities	9,473	8,602	9,552	11,031	12,881
Trade and bill payables	576	148	966	1,084	1,292
Other payables	3,084	3,655	2,440	2,693	2,814
Borrowings	5,708	4,644	6,022	7,118	8,626
Others	49	70	50	50	50
Non-current liabilities	14,314	18,162	23,214	29,000	33,226
Borrowings	13,217	16,683	21,350	26,779	30,583
Other payables	69	184	102	112	117
Others	-	25	25	25	25
Minority Interest	1,896	2,360	2,600	2,776	2,920
Renewable green bond	-	590	1,500	1,500	1,500
Shareholders' equity	8,605	9,446	10,329	11,260	12,290
Total Equity	10,501	12,397	14,429	15,536	16,710

Key ratios

YE 31 Dec	FY17A	FY18A	FY19E	FY20E	FY21E
Sales mix (%)					
Wind & Solar	45.2	43.9	34.3	32.9	32.9
Natural Gas	54.6	56.1	65.7	67.1	67.1
Total	100	100	100	100	100
P&L ratios (%)					
Gross profit margin	32.9	32.7	28.7	0.29	27.7
Operating margin	28.0	25.0	22.4	23.7	24.0
Pre-tax margin	17.0	17.1	17.5	18.6	18.5
Net margin	12.4	13.3	12.4	11.2	10.8
Effective tax rate	13.0	8.2	9.6	15.2	15.8
Balance sheet ratios					
Current ratio (x)	0.49	0.58	0.75	0.83	0.73
Quick ratio (x)	0.49	0.58	0.74	0.82	0.72
Cash ratio (x)	0.19	0.22	0.26	0.25	0.21
Debtors turnover days	107.	107.	104.	102.	95.6
Total debt/equity ratio (%)	178.	180.	172.	189.	218.
Net debt/equity ratio (%)	195.	190.	211.	247.	264.
Returns (%)					
ROE	6.86	10.9	12.3	11.3	11.5
ROA	1.84	2.74	3.17	2.85	2.64
Per share					
EPS (RMB)	0.25	0.33	0.36	0.40	0.44
DPS (RMB)	0.10	0.13	0.15	0.16	0.17
BVPS (RMB)	2.32	2.70	3.18	3.43	3.71

Source: Company data, CMBIS estimates

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