

# Suntien Green Energy (956 HK)

## 3Q20 results miss; weak gas margin dragged earnings

Suntien posted 3Q20 results with a net loss (deducted perp. distribution) of RMB25mn. 9M20 earnings was RMB884mn, down 12.0% YoY. 3Q20 results miss was mainly dragged by gas dollar margin squeeze due to fierce competition with LNG market supply, while the commencement of operation of several new wind farms in slow wind season also boosted overall depreciation costs. Suntien's share price suffered a sharp decline after posting 3Q20 results. With reference to the Company's historical performance, 3Q is traditional low season for both wind power and gas sales business. We think the market had overreacted to the quarter results. Suntien now trades at only 4.4/3.7x FY20/21E PER, but offers attractive yield at 7.9% for FY20E. **We cut Suntien's TP to HK\$2.50. Maintain BUY.**

- **9M20 earnings declined 12.0% YoY.** 3Q20 revenue growth was 1.2% only, unmatched with power/gas sales growth of 13.93%/6.36% respectively. Total operating costs surged 9.4% YoY during the quarter, which led to an operating loss of RMB65mn during the quarter. Other operating expenses were largely in line with our expectation. Aggregating 9M20 financial, Suntien recorded net profit (deducted perp. interests) of RMB884mn, down 12.0% YoY. The results came a bit surprising and missed our earnings projection.
- **Gas dollar margin was squeezed due to fierce competition.** Suntien's wholesale gas price was cut by 5% (RMB1.10 cents) based on Hebei DRC's requirement to mitigate COVID-19's impacts. For retail gas sales, in view of fierce competition from extremely low costs LNG supply, the Company offers significant discount to retain industrial users. We estimate retail gas dollar margin discount could reach up to 15%, leading to significant decline of blended dollar margin from RMB0.332 to ~RMB0.28. Looking ahead to 4Q20, as LNG price jumped back to normal level, we expect Suntien to see some gas dollar margin recovery.
- **New wind farm contribution to boost 4Q20 power generation.** Mgmt. maintained 10TWh power generation guidance unchanged, with target utilization hours range 2,300-2,350. The Company also confirmed that wind capacity installation will exceed 500MW in view of smooth capacity installation progress. In 3Q20, new capacity commenced operation in slow wind season, leading to a surge in depreciation costs. In 4Q20, as the new capacity ramps up output, we expect wind power sector to resume normal and to contribute earnings growth.
- **Valuation turned extremely attractive.** After recent corrections, Suntien is trading at FY20/21E 4.4x/3.7x PER, while offering attractive yield at 7.9%/9.6% respectively. We think market overreaction on Suntien creates a good opportunity for accumulation. Our SOTP TP is cut to HK\$2.50. Maintain BUY.

### Earnings Summary

| (YE 31 Dec)         | FY18A | FY19A  | FY20E  | FY21E  | FY22E  |
|---------------------|-------|--------|--------|--------|--------|
| Revenue (RMB mn)    | 9,975 | 11,943 | 12,781 | 15,034 | 17,134 |
| Net income (RMB mn) | 1,240 | 1,344  | 1,391  | 1,689  | 1,845  |
| EPS (RMB)           | 0.33  | 0.36   | 0.37   | 0.44   | 0.48   |
| YoY growth (%)      | 32.0  | 8.4    | 1.7    | 19.2   | 9.3    |
| Consensus EPS (RMB) | N/A   | N/A    | 0.39   | 0.42   | 0.45   |
| P/E (x)             | 4.8   | 4.4    | 4.4    | 3.7    | 3.4    |
| P/B (x)             | 0.6   | 0.5    | 0.4    | 0.4    | 0.4    |
| Yield (%)           | 7.8   | 7.8    | 7.9    | 9.6    | 10.4   |
| ROE (%)             | 12.4  | 11.4   | 10.3   | 11.3   | 11.4   |
| Net gearing (%)     | 203   | 199    | 201    | 219    | 239    |

Source: Company data, Bloomberg, CMBIS estimates

**BUY (Maintain)**

Target Price **HK\$2.50**  
 (Previous TP **HK\$2.84**)  
 Up/Downside **+36.6%**  
 Current Price **HK\$1.83**

### China Wind Sector

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### Stock Data

|                          |              |
|--------------------------|--------------|
| Mkt Cap (HK\$ mn)        | 23,229       |
| Avg 3 mths t/o (HK\$ mn) | 21.71        |
| 52w High/Low (HK\$)      | 2.76/1.16    |
| Issued shares - H (mn)   | <b>1,839</b> |
| Issued shares - A (mn)   | 2,011        |

Source: Bloomberg

### Shareholding Structure-H

|           |       |
|-----------|-------|
| HECIC     | 48.7% |
| Freefloat | 51.3% |

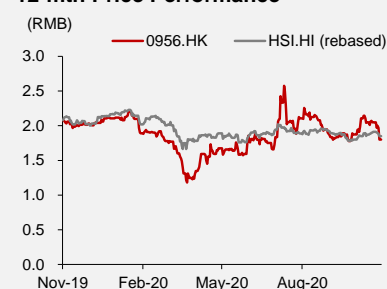
Source: HKEx

### Share Performance

|        | Absolute | Relative |
|--------|----------|----------|
| 1-mth  | -3.9%    | -6.5%    |
| 3-mth  | -14.6%   | -12.9%   |
| 6-mth  | 7.4%     | 9.8%     |
| 12-mth | -13.4%   | -2.7%    |

Source: Bloomberg

### 12-mth Price Performance



Source: Wind

**Auditor: Ernst & Young**

### Related Reports

1. "Suntien Green Energy (956 HK) – 1H20 results beat; earnings to pick up in 2H" – 28 Aug 2020
2. "Suntien Green Energy (956 HK) – Stable operating performance in 1H20" – 30 Jul 2020
3. "Suntien Green Energy (956 HK) – A-share listing is coming close" – 12 Jun 2020

Figure 1: 3Q20/9M20 results summary

| (RMB, mn)                        | 1Q19           | 2Q19           | 3Q19           | 1Q20           | 2Q20           | 3Q20           | 3Q20 YoY      | 9M19           | 9M20           | 9M20 YoY      |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|---------------|
| <b>Total operating income</b>    | <b>4,280</b>   | <b>2,103</b>   | <b>1,711</b>   | <b>4,395</b>   | <b>2,191</b>   | <b>1,732</b>   | <b>1.2%</b>   | <b>8,095</b>   | <b>8,318</b>   | <b>2.8%</b>   |
| <b>Total operating costs</b>     | <b>(3,363)</b> | <b>(1,719)</b> | <b>(1,643)</b> | <b>(3,522)</b> | <b>(1,818)</b> | <b>(1,797)</b> | <b>9.4%</b>   | <b>(6,725)</b> | <b>(7,137)</b> | <b>6.1%</b>   |
| Operating cost                   | (3,059)        | (1,375)        | (1,331)        | (3,227)        | (1,460)        | (1,420)        | 6.7%          | (5,765)        | (6,107)        | 5.9%          |
| Business tax & surcharge         | (12)           | (9)            | (6)            | (11)           | (8)            | (6)            | -4.3%         | (27)           | (25)           | 5.9%          |
| Selling expenses                 | (0)            | (0)            | (0)            | (0)            | (0)            | (1)            | 554.5%        | (0)            | (1)            | 5.9%          |
| Administration expenses          | (84)           | (117)          | (87)           | (75)           | (104)          | (134)          | 53.5%         | (288)          | (313)          | 5.9%          |
| R&D expenses                     | -              | (5)            | 0              | -              | (7)            | (11)           | N/A           | (5)            | (18)           | 5.9%          |
| Finance costs                    | (212)          | (208)          | (219)          | (223)          | (225)          | (225)          | 3.0%          | (639)          | (674)          | 5.9%          |
| <b>Operating profit</b>          | <b>917</b>     | <b>852</b>     | <b>69</b>      | <b>873</b>     | <b>901</b>     | <b>(65)</b>    | <b>N/A</b>    | <b>1,370</b>   | <b>1,181</b>   | <b>-13.8%</b> |
| <b>Profit before tax</b>         | <b>1,022</b>   | <b>435</b>     | <b>146</b>     | <b>963</b>     | <b>465</b>     | <b>26</b>      | <b>-82.0%</b> | <b>1,603</b>   | <b>1,454</b>   | <b>-9.3%</b>  |
| Income tax expenses              | (162)          | (83)           | (21)           | (157)          | (74)           | (12)           | -39.2%        | (266)          | (244)          | -8.5%         |
| effective tax rate               | 15.9%          | 19.2%          | 14.0%          | 16.3%          | 16.0%          | 47.4%          | 33.3ppt       | 16.6%          | 16.8%          | 0.2ppt        |
| Profit for the period            | 860            | 351            | 126            | 806            | 390            | 14             | -89.0%        | 1,337          | 1,211          | -9.4%         |
| Less: Minorities                 | 191            | 53             | 38             | 187            | 63             | 20             | -48.6%        | 282            | 269            | -4.6%         |
| Perpetual bond distribution      | 12             | 20             | 19             | 20             | 19             | 19             | 0.0%          | 51             | 58             | 13.8%         |
| <b>Net profit for the period</b> | <b>657</b>     | <b>279</b>     | <b>68</b>      | <b>600</b>     | <b>309</b>     | <b>(25)</b>    | <b>n/a</b>    | <b>1,004</b>   | <b>884</b>     | <b>-12.0%</b> |

Source: Company data, CMBIS estimates

Figure 2: 3Q20/9M20 operating summary

|                                    | 1Q19         | 2Q19         | 3Q19         | 9M19           | 9M19 Run rate | 1Q20         | 2Q20         | 3Q20         | 9M20         | 9M20 YoY     | 9M20 Run rate |
|------------------------------------|--------------|--------------|--------------|----------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|
| <b>Wind Power Generation (GWh)</b> | <b>2,628</b> | <b>2,151</b> | <b>1,373</b> | <b>6,152.6</b> | <b>69.6%</b>  | <b>2,671</b> | <b>2,319</b> | <b>1,604</b> | <b>6,594</b> | <b>7.2%</b>  | <b>67.8%</b>  |
| Hebei                              | 2,162        | 1,639        | 1,054        | 4,854.6        | 68.7%         | 2,093        | 1,726        | 1,189        | 5,008        | 3.2%         |               |
| Shanxi                             | 97           | 65           | 42           | 205.0          | 63.6%         | 110          | 108          | 52           | 270          | 31.7%        |               |
| Xinjiang                           | 30           | 74           | 63           | 167.6          | 83.1%         | 38           | 75           | 81           | 194          | 15.7%        |               |
| Yunnan                             | 229          | 189          | 80           | 497.8          | 79.8%         | 212          | 173          | 92           | 477          | -4.2%        |               |
| Shandong                           | 20           | 23           | 14           | 56.3           | 73.6%         | 21           | 23           | 9            | 53           | -6.4%        |               |
| Inner Mongolia                     | 90           | 87           | 54           | 231.1          | 71.8%         | 90           | 106          | 98           | 294          | 27.2%        |               |
| Guangxi                            | -            | 57           | 25           | 82.0           | 71.1%         | 45           | 37           | 31           | 113          | 37.8%        |               |
| Jiangsu                            | -            | 10           | 30           | 40.2           | 56.6%         | 47           | 44           | 27           | 118          | 193.1%       |               |
| Henan                              | -            | 7            | 11           | 18.0           | 53.5%         | 16           | 27           | 19           | 62           | 241.9%       |               |
| Heilongjiang                       | -            | -            | -            | -              | N/A           | -            | -            | 6,730        | 6,730        | N/A          |               |
| <b>Solar Power Generation</b>      | <b>39</b>    | <b>35</b>    | <b>39</b>    | <b>112.8</b>   | <b>75.4%</b>  | <b>41</b>    | <b>51</b>    | <b>38</b>    | <b>131</b>   | <b>77.4%</b> | <b>71.9%</b>  |
| Quarterly distribution             | 25.8%        | 23.4%        | 26.1%        |                |               | 22.8%        | 28.1%        | 20.9%        | 71.9%        |              |               |
| <b>Total gas sales (mn cbm)</b>    | <b>1,173</b> | <b>478</b>   | <b>494</b>   | <b>2,144.9</b> | <b>66.3%</b>  | <b>1,326</b> | <b>547</b>   | <b>525</b>   | <b>2,398</b> | <b>45.2%</b> | <b>65.1%</b>  |
| Wholesale                          | 847          | 237          | 225          | 1,308          | 65.3%         | 928          | 240          | 241          | 1,410        | 30.1%        | 62.8%         |
| Retail                             | 301          | 216          | 249          | 766            | 67.5%         | 380          | 290          | 261          | 931          | 80.4%        | 68.4%         |
| CNG/LNG                            | 26           | 25           | 20           | 71             | 72.3%         | 17           | 17           | 22           | 57           | 11.1%        | 72.3%         |

Source: Company data, CMBIS

Figure 3: Earnings revision

|                               | Old    |        |        | New    |        |        | Change(%)           |       |       |
|-------------------------------|--------|--------|--------|--------|--------|--------|---------------------|-------|-------|
|                               | 2020   | 2021   | 2022   | 2020   | 2021   | 2022   | 2020                | 2021  | 2022  |
| Revenue (RMB mn)              | 13,281 | 15,445 | 17,633 | 12,781 | 15,034 | 17,134 | -3.8%               | -2.7% | -2.8% |
| Net Income (RMB mn)           | 1,444  | 1,618  | 1,769  | 1,391  | 1,689  | 1,845  | -3.6%               | 4.4%  | 4.3%  |
| EPS (RMB)                     | 0.38   | 0.42   | 0.46   | 0.37   | 0.44   | 0.48   | -3.6%               | 4.4%  | 4.3%  |
| <b>Our est. vs. Consensus</b> |        |        |        |        |        |        | Diff with consensus |       |       |
| Consensus Earnings (RMB mn)   |        |        |        | 1,513  | 1,639  | 1,822  | -8.0%               | 3.0%  | 1.2%  |
| Consensus EPS (RMB)           |        |        |        | 0.39   | 0.43   | 0.47   | -6.6%               | 3.0%  | 2.6%  |

Source: Company data, CMBIS estimates

Figure 4: DCF valuation for wind power segment

| DCF Valuation                        | 2022E  | 2023E  | 2024E  | 2025E  | 2026E  | 2027E  | 2028E  | 2029E  | 2030E  |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Grid Connected Capacity(MW)          | 6,116  | 6,616  | 7,145  | 7,717  | 8,334  | 9,001  | 9,721  | 10,498 | 11,338 |
| Capacity growth                      | 8.9%   | 8.2%   | 8.0%   | 8.0%   | 8.0%   | 8.0%   | 8.0%   | 8.0%   | 8.0%   |
| Additional capacity of that year(MW) | 500    | 500    | 529    | 572    | 617    | 667    | 720    | 778    | 840    |
| Turnover (Rmb mn)                    | 5,801  | 6,257  | 6,068  | 6,488  | 6,936  | 7,417  | 7,930  | 8,478  | 9,065  |
| Turnover growth                      | 11.0%  | 7.9%   | -3.0%  | 6.9%   | 6.9%   | 6.9%   | 6.9%   | 6.9%   | 6.9%   |
| EBIT (Rmb mn)                        | 3,177  | 3,428  | 3,295  | 3,491  | 3,698  | 3,917  | 4,149  | 4,394  | 4,653  |
| EBIT margin (%)                      | 54.8%  | 54.8%  | 54.3%  | 53.8%  | 53.3%  | 52.8%  | 52.3%  | 51.8%  | 51.3%  |
| Tax rate (%)                         | 12.8%  | 13.3%  | 14%    | 15%    | 16%    | 16%    | 17%    | 18%    | 19%    |
| Depreciation (Rmb mn)                | 1,882  | 2,020  | 2,238  | 2,393  | 2,558  | 2,735  | 2,924  | 3,127  | 3,343  |
| CAPEX (Rmb mn)                       | -3,250 | -3,250 | -3,406 | -3,641 | -3,893 | -4,163 | -4,451 | -4,759 | -5,088 |
| Change in working capital (Rmb mn)   | -384   | -658   | 57     | -42    | -45    | -48    | -51    | -55    | -59    |
| Free cash flow                       | 1,019  | 1,086  | 1,722  | 1,685  | 1,744  | 1,805  | 1,866  | 1,927  | 1,989  |
| Years                                | 1      | 2      | 3      | 4      | 5      | 6      | 7      | 8      | 9      |
| Discount factor                      | 0.93   | 0.87   | 0.81   | 0.76   | 0.71   | 0.66   | 0.62   | 0.57   | 0.54   |
| Discount free cash flow              | 951    | 945    | 1,398  | 1,277  | 1,233  | 1,190  | 1,148  | 1,106  | 1,065  |
| Terminal value                       | 48,951 |        |        |        |        |        |        |        |        |
| Terminal perpetual growth            | 3.00%  |        |        |        |        |        |        |        |        |
| Terminal EV/EBITDA                   | 6.12   |        |        |        |        |        |        |        |        |

| Valuations (RMB mn)         |        | WACC Calculations      |        |
|-----------------------------|--------|------------------------|--------|
| Terminal value              | 48,951 | Cost of debt           | 4.80%  |
| Terminal perpetual growth   | 3.0%   | Tax rate               | 20%    |
| Terminal EV/EBITDA          | 6.12   | After tax cost of debt | 3.8%   |
| Total discount FCF          | 10,314 | Adjusted beta          | 1.05   |
| Discount terminal value     | 26,217 | Market risk premium    | 11.08% |
| Segment value               | 36,531 | Risk free rate         | 1.8%   |
| Discount FCF(% of total)    | 28%    | Cost of equity         | 13.4%  |
| Terminal value (% of total) | 72%    | % of debt financing    | 65%    |
| Share fair value (Rmb)      | 9.49   | WACC                   | 7.2%   |
| Share fair value (HKD)      | 10.81  |                        |        |

Source: Company data, CMBIS estimates

Figure 5: SOTP valuation for wind and gas segment

| SOTP Valuation summary         | Measure by           |                 |
|--------------------------------|----------------------|-----------------|
|                                | The Company (RMB mn) | Per share (RMB) |
| Wind & Solar segment -DCF      | 36,531               | 9.49            |
| Piped gas supply segment - PER | 8,067                | 2.10            |
| Total value                    | 44,598               | 11.58           |
| Less: Net debt                 | 32,799               | 8.52            |
| Minority Interest              | 3,187                | 0.83            |
| Renewable corp bond            | 1,500                | 0.04            |
| Equity Value of the firm       | 8,612                | 2.20            |
| Per share value (HKD)          |                      | 2.50            |

Source: Company data, CMBIS estimates

Note: Gas segment valuation based on RMB896mn FY21 earnings and 9x P/E multiple.

## Financial Summary

### Income statement

| YE 31 Dec (RMB mn)          | FY18A          | FY19A          | FY20E          | FY21E           | FY22E           |
|-----------------------------|----------------|----------------|----------------|-----------------|-----------------|
| <b>Revenue</b>              | <b>9,975</b>   | <b>11,943</b>  | <b>12,781</b>  | <b>15,034</b>   | <b>17,134</b>   |
| Wind & Solar                | 3,422          | 3,949          | 4,523          | 5,225           | 5,801           |
| Natural Gas                 | 6,551          | 7,981          | 8,254          | 9,804           | 11,328          |
| <b>Costs of sales</b>       | <b>(7,116)</b> | <b>(8,638)</b> | <b>(9,293)</b> | <b>(10,922)</b> | <b>(12,443)</b> |
| Other income & gains        | 100            | 171            | 157            | 166             | 173             |
| Selling & distribution      | (0)            | (1)            | (1)            | (1)             | (1)             |
| Administrative expenses     | (502)          | (587)          | (603)          | (679)           | (739)           |
| Other expenses              | (219)          | (44)           | (8)            | 22              | (18)            |
| <b>Operating profit</b>     | <b>2,239</b>   | <b>2,845</b>   | <b>3,033</b>   | <b>3,620</b>    | <b>4,105</b>    |
| Finance costs               | (785)          | (875)          | (986)          | (1,161)         | (1,354)         |
| Joint ventures & associates | 290            | 215            | 213            | 263             | 287             |
| <b>Pre-tax profit</b>       | <b>1,743</b>   | <b>2,184</b>   | <b>2,261</b>   | <b>2,722</b>    | <b>3,037</b>    |
| Income tax                  | (168)          | (356)          | (373)          | (455)           | (513)           |
| Minority interests          | (307)          | (413)          | (419)          | (501)           | (601)           |
| Renewable green bond        | (29)           | (71)           | (78)           | (78)            | (78)            |
| <b>Net profit</b>           | <b>1,240</b>   | <b>1,344</b>   | <b>1,391</b>   | <b>1,689</b>    | <b>1,845</b>    |

### Cash flow summary

| YE 31 Dec (RMB mn)           | FY18A          | FY19A          | FY20E          | FY21E           | FY22E           |
|------------------------------|----------------|----------------|----------------|-----------------|-----------------|
| <b>Profit before tax</b>     | <b>1,743</b>   | <b>2,184</b>   | <b>2,261</b>   | <b>2,722</b>    | <b>3,037</b>    |
| DD&A                         | 1,308          | 1,540          | 1,718          | 2,045           | 2,509           |
| Working cap change           | (147)          | (909)          | (2,015)        | (334)           | (384)           |
| Taxation                     | (217)          | (325)          | (364)          | (445)           | (503)           |
| Others                       | 474            | 1,240          | 188            | 2,150           | 325             |
| <b>Operating cash flow</b>   | <b>3,156</b>   | <b>3,732</b>   | <b>1,787</b>   | <b>6,139</b>    | <b>4,983</b>    |
| Capex & investments          | (5,568)        | (6,041)        | (8,554)        | (10,812)        | (10,423)        |
| Others                       | 1,601          | (62)           | 115            | -               | -               |
| <b>Investment cash flow</b>  | <b>(3,967)</b> | <b>(6,103)</b> | <b>(8,439)</b> | <b>(10,812)</b> | <b>(10,423)</b> |
| Equity raised                | -              | -              | 563            | -               | -               |
| Perpetual MTN raised         | 590            | 910            | -              | -               | -               |
| Change of Debts              | 2,673          | 3,037          | 7,193          | 5,504           | 6,513           |
| Others                       | (939)          | 533            | -              | -               | -               |
| <b>Financing cash flow</b>   | <b>945</b>     | <b>2,465</b>   | <b>7,425</b>   | <b>4,682</b>    | <b>5,521</b>    |
| <b>Net change in cash</b>    | <b>135</b>     | <b>93</b>      | <b>774</b>     | <b>10</b>       | <b>81</b>       |
| Cash at beginning            | 2,110          | 2,240          | 2,332          | 3,106           | 3,116           |
| Exchange difference          | (4)            | (2)            | -              | -               | -               |
| <b>Cash at the end</b>       | <b>2,240</b>   | <b>2,332</b>   | <b>3,106</b>   | <b>3,116</b>    | <b>3,197</b>    |
| Restricted cash              | -              | 9              | -              | -               | -               |
| <b>Cash at balance sheet</b> | <b>2,240</b>   | <b>2,341</b>   | <b>3,106</b>   | <b>3,116</b>    | <b>3,197</b>    |

### Balance sheet

| YE 31 Dec (RMB mn)             | FY18A         | FY19A         | FY20E         | FY21E         | FY22E         |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Non-current assets</b>      | <b>32,743</b> | <b>38,499</b> | <b>45,180</b> | <b>53,157</b> | <b>60,706</b> |
| Fixed asset                    | 26,584        | 28,252        | 35,011        | 43,607        | 51,327        |
| Intangible assets              | 1,757         | 1,672         | 1,574         | 1,475         | 1,376         |
| Associates & JVs               | 1,918         | 2,302         | 2,467         | 2,729         | 3,014         |
| Prepayments                    | 1,648         | 2,904         | 2,864         | 2,073         | 1,709         |
| Others                         | 837           | 377           | 262           | 260           | 259           |
| <b>Current assets</b>          | <b>6,418</b>  | <b>7,455</b>  | <b>9,422</b>  | <b>8,727</b>  | <b>8,525</b>  |
| Cash                           | 2,240         | 2,341         | 3,106         | 3,116         | 3,197         |
| Receivables                    | 3,296         | 3,966         | 4,333         | 2,786         | 2,983         |
| Prepayments                    | 812           | 1,083         | 1,909         | 2,749         | 2,265         |
| Others                         | 70            | 65            | 74            | 77            | 80            |
| <b>Current liabilities</b>     | <b>8,602</b>  | <b>10,532</b> | <b>11,456</b> | <b>12,970</b> | <b>13,700</b> |
| Trade and bill payables        | 148           | 137           | 146           | 172           | 196           |
| Other payables                 | 3,655         | 4,870         | 4,299         | 4,648         | 4,012         |
| Borrowings                     | 4,644         | 5,316         | 6,782         | 7,901         | 9,224         |
| Others                         | 70            | 100           | 110           | 120           | 130           |
| <b>Non-current liabilities</b> | <b>18,162</b> | <b>20,673</b> | <b>26,354</b> | <b>30,753</b> | <b>35,917</b> |
| Borrowings                     | 16,683        | 19,093        | 24,045        | 28,014        | 32,703        |
| Other payables                 | 184           | 225           | 179           | 194           | 167           |
| Others                         | 25            | 46            | 46            | 46            | 46            |
| <b>Minority Interest</b>       | <b>2,360</b>  | <b>2,933</b>  | <b>3,021</b>  | <b>3,187</b>  | <b>3,388</b>  |
| <b>Renewable green bond</b>    | <b>590</b>    | <b>1,500</b>  | <b>1,500</b>  | <b>1,500</b>  | <b>1,500</b>  |
| <b>Shareholders' equity</b>    | <b>9,446</b>  | <b>10,316</b> | <b>12,271</b> | <b>13,472</b> | <b>14,726</b> |
| <b>Total Equity</b>            | <b>12,397</b> | <b>14,750</b> | <b>16,792</b> | <b>18,160</b> | <b>19,614</b> |

### Key ratios

| YE 31 Dec                   | FY18A      | FY19A      | FY20E      | FY21E      | FY22E      |
|-----------------------------|------------|------------|------------|------------|------------|
| <b>Sales mix (%)</b>        |            |            |            |            |            |
| Wind & Solar                | 43.9       | 34.3       | 33.1       | 35.4       | 34.8       |
| Natural Gas                 | 56.1       | 65.7       | 66.8       | 64.6       | 65.2       |
| <b>Total</b>                | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> |
| <b>P&amp;L ratios (%)</b>   |            |            |            |            |            |
| Gross profit margin         | 32.7       | 28.7       | 0.28       | 27.3       | 0.27       |
| Operating margin            | 25.0       | 22.4       | 23.8       | 23.7       | 24.1       |
| Pre-tax margin              | 17.1       | 17.5       | 18.3       | 17.7       | 18.1       |
| Net margin                  | 13.3       | 12.4       | 11.3       | 10.9       | 11.2       |
| Effective tax rate          | 8.2        | 9.6        | 16.3       | 16.5       | 16.7       |
| <b>Balance sheet ratios</b> |            |            |            |            |            |
| Current ratio (x)           | 0.58       | 0.75       | 0.71       | 0.82       | 0.67       |
| Quick ratio (x)             | 0.58       | 0.74       | 0.70       | 0.82       | 0.67       |
| Cash ratio (x)              | 0.22       | 0.26       | 0.22       | 0.27       | 0.24       |
| Debtors turnover days       | 107.2      | 111.0      | 118.5      | 86.4       | 61.4       |
| Total debt/equity ratio (%) | 190.0      | 182.3      | 175.1      | 183.6      | 197.8      |
| Net debt/equity ratio (%)   | 202.7      | 198.6      | 201.2      | 219.0      | 238.6      |
| <b>Returns (%)</b>          |            |            |            |            |            |
| ROE                         | 10.92      | 12.35      | 11.37      | 10.28      | 11.28      |
| ROA                         | 2.74       | 3.17       | 2.92       | 2.55       | 2.73       |
| <b>Per share</b>            |            |            |            |            |            |
| EPS (RMB)                   | 0.33       | 0.36       | 0.37       | 0.44       | 0.48       |
| DPS (RMB)                   | 0.13       | 0.13       | 0.13       | 0.15       | 0.17       |
| BVPS (RMB)                  | 2.70       | 3.18       | 3.58       | 3.89       | 4.21       |

Source: Company data, CMBIS estimates

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|------------------|---|
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|-----------------------|---|
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