

# CR Power (836 HK)

## Sep operating data recap

CR Power reported 3.6% YoY growth in total power generation in 1Q-3Q23. In particular, solar and wind power showed substantial growth of 92.6% YoY and 12.4% YoY, respectively. In Sep 2023, CR Power's total power generation increased by 2.6% YoY, driven by favourable conditions for wind and solar power and increased installed capacity. Thermal power generation also saw a slight rise of 1.2% YoY. Our expectations for power generation remain unchanged, and we are optimistic about new energy installed capacity and lower fuel costs in the 4Q23. We maintain our TP of HK\$22.53. Maintain BUY.

- **Wind/solar power generation demonstrated rapid growth in Sep 2023, leading to a steady generation surge in 1Q-3Q23.** CR Power reported a 1.2% YoY increase in power generation in Jan-Sep 2023. Wind/solar/thermal power generation rose by 12.4%/92.6%/1.2% YoY. In Sep, wind/solar power generation surged by 3.9% and 193.4% YoY, benefiting from favourable wind/solar conditions and accelerated new energy installed-capacity. However, thermal power generation rebounded by 1.2% YoY (~12.5% YoY in Aug), partly affected by hydropower generation squeezed by 44.9% YoY and raised thermal power demand.
- **Expect continuous slight improvement of thermal power costs in 4Q23; anticipated to achieve 7GW newly-added new energy installed capacity in 2023.** CR Power turned profitable in thermal power in 1H23 due to lower fuel costs. We expected consistently lower fuel costs in 2H23. In addition, we foresee rapid growth for CR Power's solar capacity in 2023, aiming for 7GW of new energy capacity. For 1H23, there was around 10GW new energy installed capacity under construction, and we believe it will accelerate the operation in 4Q23. Moreover, CR Power's new energy project returns will increase given lower upstream costs (recent solar module price dropped below RMB1.2/W) and technology advancements, accelerating new energy installation.
- **CR Power released an announcement and considered the payout of special dividends, demonstrating confidence in the company's development.** CR Power announced it is considering delivering a special dividend to shareholders, indicating management's confidence in the company's development and ensuring the interest of the shareholders.
- **Maintain TP unchanged at HK\$22.53; reiterate BUY rating.** Based on management's guidance and operating data, we maintain our key assumptions unchanged for 2023-2025 and maintain our net profit estimates of HK\$12,704/15,153/17,919mn. Consequently, our SOTP-based TP is unchanged at HK\$22.53. Maintain BUY.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (HK\$ mn)	89,800	103,305	112,885	120,914	129,326
Net profit (HK\$ mn)	1,592.7	7,042.5	12,703.6	15,152.6	17,919.3
EPS (Reported) (HK\$)	0.33	1.46	2.64	3.15	3.73
YoY growth (%)	(79.0)	342.2	80.4	19.3	18.3
Consensus EPS (HK\$)	na	1.46	2.45	2.94	3.31
P/E (x)	42.8	10.5	5.4	4.5	3.8
P/B (x)	0.8	0.9	0.7	0.7	0.6
ROE (%)	1.8	8.3	14.6	15.6	16.6

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

Target Price	HK\$22.53
(Previous TP)	HK\$22.53)
Up/Downside	53%
Current Price	HK\$14.68

### China Energy

Megan Xia, CESGA

(852) 3900 0836

meganxia@cmbi.com.hk

### Stock Data

Mkt Cap (HK\$ mn)	70,617.
Avg 3 mths t/o (HK\$ mn)	147.65
52w High/Low (HK\$)	18.38/12.09
Total Issued Shares (mn)	4,810.0

Source: FactSet

### Shareholding Structure

CRH Power Ltd	62.9%
First Seafront Fund	4.2%

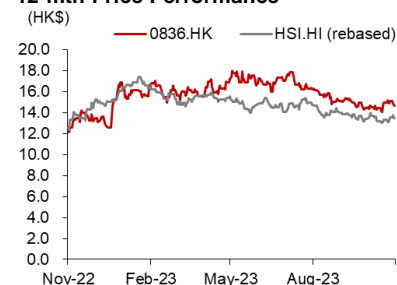
Source: HKEX

### Share Performance

	Absolute	Relative
1-mth	1.8%	1.3%
3-mth	-9.4%	-1.1%
6-mth	-15.1%	-1.9%

Source: FactSet

### 12-mth Price Performance

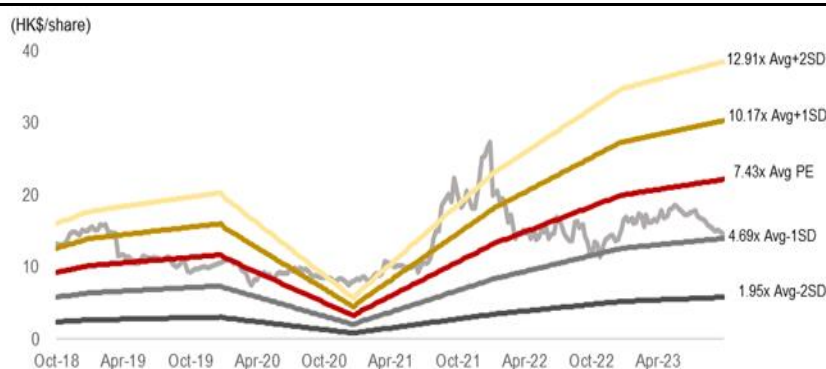


Source: FactSet

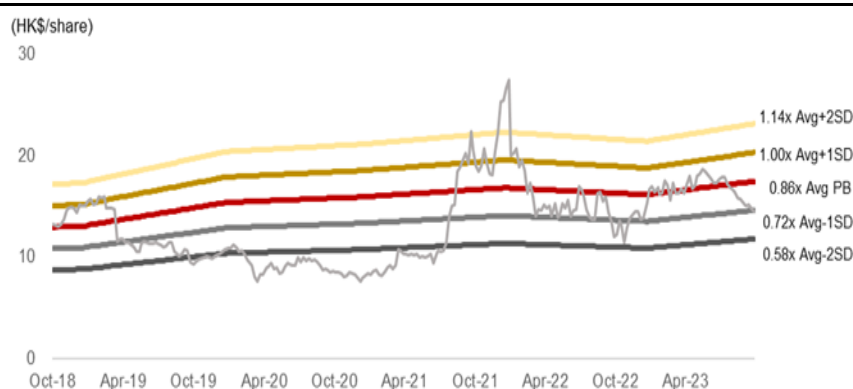
**Figure 1: Target price**

	Bookvalue (HK\$m)- FY23E	Target PB	Per share (HKD)
Thermal power segment	17,503	0.7x	2.4
Renewable power segment	74,620	1.3x	20.2
<b>Total</b>			<b>22.53</b>

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 (renewables energy)**

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 RES POWER	836 HK	14.68	70617.31	2.68	3.08	3.69	17.2%	5.47	4.77	3.98	0.79	0.71	0.63
CGN NEW ENERGY H	1811 HK	2.02	8667.46	0.07	0.07	0.08	7.4%	3.98	3.69	3.45	0.75	0.66	0.59
CHINA LONGYUAN-H	916 HK	6.50	130185.93	0.94	1.12	1.28	16.3%	6.42	5.40	4.75	0.68	0.61	0.60
CHINA DATANG C-H	1798 HK	1.74	12656.24	0.40	0.44	0.51	12.5%	4.02	3.67	3.18	na	na	na
CHINA LONGYUAN-A	001289 CH	20.03	121201.93	0.94	1.11	1.24	15.1%	21.40	17.98	16.17	2.18	2.01	1.81
CHINA THREE GO-A	600905 CH	4.74	135673.40	0.29	0.35	0.41	18.8%	16.34	13.66	11.59	1.62	1.47	1.31
<b>Average</b>								<b>9.6</b>	<b>8.2</b>	<b>7.2</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>

Source: Company data, CMBIGM estimates

Figure 5: Peers table (thermal power)

Company	Ticker	Closing Price (HK\$)	Mkt cap (HK\$mn)	EPS			23-25E CAGR	PER			PBR		
				23E	24E	25E		23E	24E	25E	23E	24E	25E
CHINA POWER INTE	2380 HK	2.98	36863.05	0.32	0.45	0.56	33.7%	8.81	6.18	4.93	0.75	0.68	0.62
CHINA RES POWER	836 HK	14.68	70617.31	2.68	3.08	3.69	17.2%	5.47	4.77	3.98	0.79	0.71	0.63
HUANENG POWER-H	902 HK	3.61	105928.70	0.92	0.95	1.08	8.8%	3.67	3.54	3.10	0.44	0.46	0.41
HUADIAN POWER-H	1071 HK	3.08	49719.62	0.58	0.71	0.82	18.9%	4.95	4.02	3.50	0.55	0.50	0.42
Average								5.3	4.5	3.8	0.6	0.6	0.5

Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (HK\$ mn)						
Revenue	69,551	89,800	103,305	112,885	120,914	129,326
Cost of goods sold	(32,494)	(58,444)	(64,283)	(61,206)	(63,017)	(64,883)
Gross profit	37,057	31,356	39,022	51,679	57,896	64,443
Operating expenses	(12,621)	(13,999)	(15,207)	(16,452)	(17,837)	(19,089)
Staff costs	(6,001)	(6,355)	(6,632)	(7,241)	(8,033)	(8,732)
Others	(6,620)	(7,644)	(8,575)	(9,210)	(9,805)	(10,357)
Operating profit	24,436	17,357	23,815	35,228	40,059	45,354
Other income	2,460	2,812	1,982	1,982	1,982	1,982
EBITDA	26,896	20,169	25,797	37,209	42,041	47,335
Depreciation	(11,468)	(14,598)	(14,245)	(14,543)	(16,040)	(17,454)
Other amortisation	(245)	0	(185)	(162)	(124)	(91)
EBIT	15,184	5,571	11,367	22,504	25,876	29,789
Interest income	349	301	192	192	192	192
Interest expense	(3,771)	(4,061)	(4,083)	(4,340)	(4,210)	(4,169)
Foreign exchange gain/loss	0	0	0	0	0	0
Other income/expense	799	122	(199)	122	122	122
Others	(1,090)	(92)	2,184	0	0	0
Pre-tax profit	11,470	1,841	9,461	18,478	21,981	25,935
Income tax	(2,794)	(958)	(1,906)	(4,620)	(5,495)	(6,484)
After tax profit	8,676	884	7,556	13,859	16,485	19,451
Minority interest	(1,094)	709	(513)	(1,155)	(1,333)	(1,532)
Net profit	7,583	1,593	7,042	12,704	15,153	17,919

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (HK\$ mn)						
Current assets	40,638	53,940	48,631	34,438	34,484	31,352
Cash & equivalents	5,036	7,934	7,721	8,979	9,814	5,144
Account receivables	31,428	37,769	35,616	20,319	19,346	20,692
Inventories	2,912	6,748	4,582	4,362	4,491	4,624
Contract assets	1,262	1,489	712	778	833	891
Non-current assets	218,994	233,415	234,757	251,674	267,131	281,207
PP&E	180,817	192,953	191,356	208,313	223,773	237,819
Deferred income tax	861	1,041	1,075	1,075	1,075	1,075
Goodwill	745	664	622	460	335	244
Other non-current assets	28,367	29,997	32,654	32,654	32,654	32,654
Total assets	259,632	287,355	283,388	286,112	301,616	312,559
Current liabilities	65,065	68,059	82,671	74,523	79,397	77,823
Short-term borrowings	20,158	23,186	38,383	29,417	32,459	28,899
Account payables	33,587	34,136	30,248	28,800	29,652	30,530
Other current liabilities	11,320	10,737	14,039	16,305	17,286	18,393
Non-current liabilities	88,617	112,245	100,164	99,997	99,225	98,357
Long-term borrowings	82,109	105,310	93,322	93,155	92,383	91,515
Other non-current liabilities	6,507	6,935	6,842	6,842	6,842	6,842
Total liabilities	153,682	180,304	182,835	174,519	178,622	176,180
Share capital	22,317	22,317	22,317	22,317	22,317	22,317
Retained earnings	46,580	44,390	49,783	59,668	69,735	81,589
Other reserves	16,906	21,681	10,139	10,139	10,139	10,139
Total shareholders equity	85,803	88,388	82,239	92,123	102,191	114,045
Minority interest	20,148	18,663	18,315	19,470	20,803	22,335
Total equity and liabilities	259,632	287,355	283,388	286,113	301,616	312,560

<b>CASH FLOW</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (HK\$ mn)</b>						
<b>Operating</b>						
Profit before taxation	11,470	211,048	9,461	18,478	21,981	25,935
Depreciation & amortization	11,713	14,598	14,430	14,705	16,164	17,546
Change in working capital	(6,339)	(10,599)	(595)	16,268	2,621	448
<b>Net cash from operations</b>	<b>20,702</b>	<b>7,400</b>	<b>24,167</b>	<b>44,710</b>	<b>35,149</b>	<b>37,323</b>
<b>Investing</b>						
Capital expenditure	(30,529)	(25,118)	(32,580)	(31,500)	(31,500)	(31,500)
Others	1,905	5,720	(1,267)	0	0	0
<b>Net cash from investing</b>	<b>(28,624)</b>	<b>(19,398)</b>	<b>(33,847)</b>	<b>(31,500)</b>	<b>(31,500)</b>	<b>(31,500)</b>
<b>Financing</b>						
Dividend paid	(2,756)	(3,155)	(1,226)	(2,819)	(5,085)	(6,065)
Net borrowings	(33,590)	(27,753)	(43,383)	(38,383)	(29,417)	(32,459)
Others	44,397	45,804	54,077	29,250	31,688	28,031
<b>Net cash from financing</b>	<b>8,051</b>	<b>14,896</b>	<b>9,468</b>	<b>(11,952)</b>	<b>(2,815)</b>	<b>(10,493)</b>
<b>Net change in cash</b>						
<b>Cash at the end of the year</b>	<b>129</b>	<b>2,898</b>	<b>(213)</b>	<b>1,258</b>	<b>835</b>	<b>(4,669)</b>
<b>GROWTH</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Revenue	2.6%	29.1%	15.0%	9.3%	7.1%	7.0%
Gross profit	7.6%	(15.4%)	24.4%	32.4%	12.0%	11.3%
Operating profit	19.0%	(29.0%)	37.2%	47.9%	13.7%	13.2%
EBITDA	15.1%	(25.0%)	27.9%	44.2%	13.0%	12.6%
EBIT	19.1%	(63.3%)	104.0%	98.0%	15.0%	15.1%
Net profit	15.1%	(79.0%)	342.2%	80.4%	19.3%	18.3%
<b>PROFITABILITY</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Gross profit margin	53.3%	34.9%	37.8%	45.8%	47.9%	49.8%
Operating margin	35.1%	19.3%	23.1%	31.2%	33.1%	35.1%
EBITDA margin	38.7%	22.5%	25.0%	33.0%	34.8%	36.6%
Return on equity (ROE)	9.6%	1.8%	8.3%	14.6%	15.6%	16.6%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	0.6	0.8	0.6	0.5	0.4	0.4
<b>VALUATION</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
P/E	5.8	42.8	10.5	5.4	4.5	3.8
P/B	0.5	0.8	0.9	0.7	0.7	0.6
Div yield (%)	6.9	2.1	3.8	7.4	8.8	10.4

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## CMBIGM Ratings

<b>BUY</b>	: Stock with potential return of over 15% over next 12 months
<b>HOLD</b>	: Stock with potential return of +15% to -10% over next 12 months
<b>SELL</b>	: Stock with potential loss of over 10% over next 12 months
<b>NOT RATED</b>	: Stock is not rated by CMBIGM

<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.