

# CR Power (836 HK)

## 1H23 thermal power earnings turnaround; renewables energy segment accelerated growth

CR Power announced 1H23 results with core profit beating market expectation. The Company targets to add 40,000MW renewable energy installed capacity and the proportion of installed capacity of renewable energy will exceed 50% by the end of the 14th Five-year Plan period. CR Power added significant renewables capacity reserve to support continuous expansions. We expect CR Power to maintain robust growth momentum in 2H23, supported by good momentum of renewable power generation and better fuel costs. **We adjust TP to HK\$23.43. Maintain BUY.**

■ **1H23 core profit beat, in line with our estimates.** CR Power announced 1H23 results, with 1) revenue/attributable net profit of HK\$51.48/ 6.74 bn, up by 2.1% YoY and 54.2% YoY. In particular, renewables segment recorded attributable core NP of HK\$5.95bn, up by 13% YoY; 2) Thermal power segment achieved a core NP turnaround and recorded HK\$0.73bn in 1H23 (~HK\$-1.4bn in 1H22) due to 10%YoY fall in fuel costs; 3) major expenses were largely in line, while net financial costs were slightly up by 8.2% YoY; 4) CR power announced an interim dividend of HK\$0.328/share, up by 56.2% YoY.

■ **Renewable energy segment maintained rapid growth.** CR Power's total electricity sales ascended by 7% YoY in 1H23. Wind power sales were boosted by 15.3% YoY, and solar power sales increased significantly by 50.9% YoY in 1H23, based on favorable wind conditions and larger attributable operational installed capacity of new energy. By 1H23, CR Power's attributable operational generation capacity of wind/solar recorded 16,682MW and 2,009MW, and both the attributable generation capacity under construction of wind power and solar power exceeded 5GW respectively. In 2H23, we believe the Company will speed up and invest more in renewable segment construction.

■ **CR power's thermal power segment achieved a profit turnaround in 1H23, expect to show further improvement in 2H23.** The thermal power sales lifted 4.9% YoY in 1H23. The tariff (ex-tax) for coal-fired power rose by 1.8% YoY to RMB430/MWh. Moreover, CR Power's coal fuel cost dropped gradually and in line with our estimates. Its avg. standard coal price/unit fuel cost dropped 7.9/8.1% YoY to RMB1,045.3/tonne and RMB309.6/MWh. Consequently, CR Power posted a turnaround on profit of HK\$0.7bn in the thermal power segment in 1H23 (~HK\$-1.44bn in 1H22 and HK\$-2.58bn in FY22). In 2H23, with rising realized proportion of its coal under long-term contracts and lower fuel costs, we think CR Power's thermal power performance will further improve.

■ **Maintain BUY with TP of HK\$23.43.** We remained our estimates largely unchanged but slightly lifted the wind power generation growth from 11%/10%/18% to 13%/17%/18% YoY in 2023-25E, due to solid attributable operational installed capacity. Consequently, we adjusted net profit forecast to 13,179mn/15,492mn/18,420mn. Our SOTP-based TP was adjusted to HK\$23.43, based on 1.4x FY23E PB of renewable segment (~peers avg. PB of 1.2x in FY23E) and 0.7x FY23 forward PB of thermal segment (~peers avg. PB of around 0.7x in FY23E). Maintain BUY.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (HK\$ mn)	89,800	103,305	114,284	122,125	130,802
Net profit (HK\$ mn)	1,592.7	7,042.5	13,178.7	15,492.3	18,420.1
EPS (Reported) (HK\$)	0.33	1.46	2.74	3.22	3.83
YoY growth (%)	(79.0)	342.2	87.1	17.6	18.9
Consensus EPS (HK\$)	na	1.46	2.45	2.94	3.31
P/E (x)	42.8	10.5	5.9	5.0	4.2
P/B (x)	0.8	0.9	0.8	0.8	0.7
ROE (%)	1.8	8.3	15.1	15.9	16.9

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price **HK\$23.43**  
(Previous TP **HK\$23.20**)  
Up/Downside **45.2%**  
Current Price **HK\$16.14**

China Energy

Megan Xia, CESGA  
(852) 3761 0836  
meganxia@cmbi.com.hk

### Stock Data

Mkt Cap (HK\$ mn)	77,600.0
Avg 3 mths t/o (HK\$ mn)	202.1
52w High/Low (HK\$)	18.80/11.40
Total Issued Shares (mn)	100.0

Source: FactSet

### Shareholding Structure

CRH Power Ltd	62.9%
First Seafront Fund	4.2%

Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-5.1%	1.8%
3-mth	-13.6%	-4.4%
6-mth	-2.2%	12.3%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

Figure 1: Revision Table

	Bookvalue (HK\$mn)-FY23E	Target PB	Per share (HKD)
Thermal power segment	17,594	0.7x	2.4
Renewable power segment	75,005	1.4x	21.1
Total			23.43

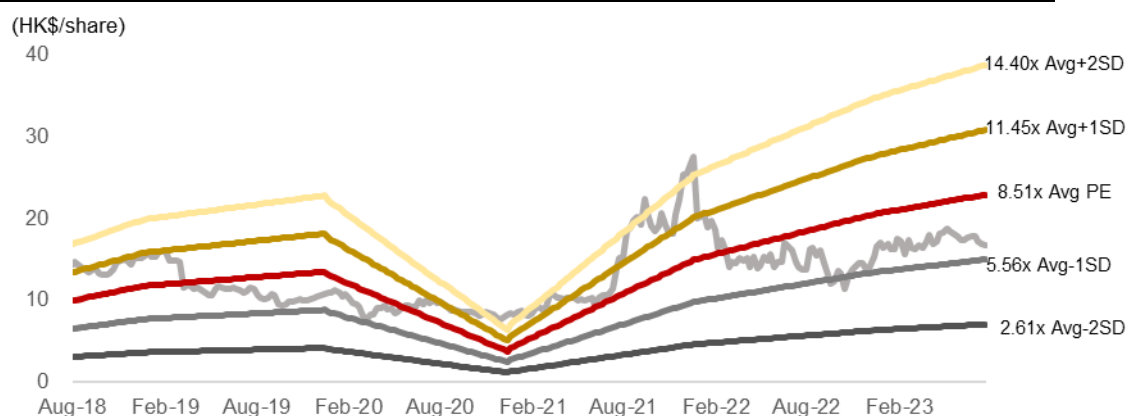
Source: Company data, CMBIGM estimates

Figure 2: Revision Table

	2023E	Old 2024E	Old 2025E	New 2023E	New 2024E	New 2025E	Change(%) 2023E	Change(%) 2024E	Change(%) 2025E
Wind power generation(k/GWh)	38.45	45.02	52.94	41.01	47.06	55.34	6.7%	4.5%	4.5%
Solar power generation(k/GWh)	2.93	8.62	14.78	2.93	8.62	14.78	0.0%	0.0%	0.0%
Coal-fired power generation (k/GWh)	157	162	167	157	162	167	0.0%	0.0%	0.0%
Revenue (HKD mn)	112,940	121,074	129,603	114,284	122,125	130,802	1.2%	0.9%	0.9%
Net Income (HKD mn)	12,299	14,804	17,634	13,179	15,492	18,420	7.2%	4.6%	4.5%
EPS (HKD)	2.56	3.08	3.67	2.740	3.221	3.829	7.1%	4.6%	4.3%

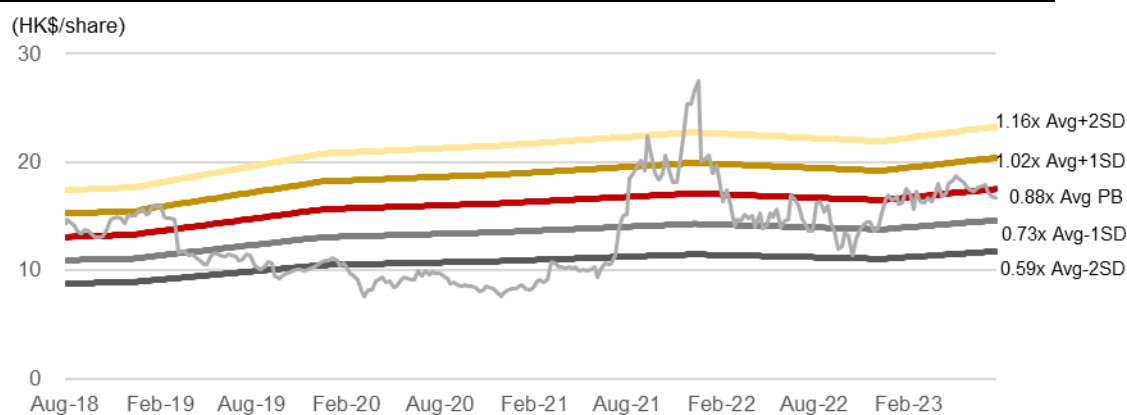
Source: Company data, CMBIGM estimates

Figure 3: PE Band



Source: Company data, CMBIGM estimates

Figure 4: PB Band



Source: Company data, CMBIGM estimates

Figure 5: Peers table (renewable segment)

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 RES POWER	836 HK	16.14	77600.00	2.44	2.88	3.35	17.0%	6.61	5.60	4.82	0.86	0.78	0.70
CGN NEW ENERGY H	1811 HK	2.13	9139.46	0.05	0.06	0.07	13.5%	5.23	4.38	4.06	0.75	0.66	0.59
CHINA LONGYUAN-H	916 HK	6.20	123418.23	0.95	1.13	1.30	17.2%	6.10	5.11	4.44	0.65	0.59	0.53
CHINA DATANG C-H	1798 HK	2.30	16729.51	0.38	0.43	0.52	16.3%	5.58	4.94	4.13	na	na	na
CHINA LONGYUAN-A	001289 HK	18.94	114747.58	0.94	1.11	1.27	16.0%	20.15	17.12	14.97	2.08	1.89	1.71
CHINA THREE GO-A	600905 HK	5.03	143977.46	0.31	0.37	0.45	19.9%	16.23	13.56	11.28	1.70	1.52	1.34
Average								10.0	8.5	7.3	1.2	1.1	1.0

Source: Company data, CMBIGM estimates

Figure 6: Peers table (thermal power segment)

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	2.86	35626.03	0.30	0.43	0.55	34.6%	8.90	6.24	4.91	0.71	0.65	0.62
CHINA RES POWER	836 HK	16.14	77600.00	2.44	2.88	3.35	17.0%	6.65	5.64	4.85	0.86	0.78	0.70
HUANENG POWER-H	902 HK	4.25	124891.27	0.67	0.75	0.93	17.8%	5.85	5.20	4.21	0.62	0.58	0.46
HUADIAN POWER-H	1071 HK	3.22	55560.52	0.52	0.65	0.74	19.5%	5.74	4.58	4.02	0.56	0.51	0.39
Average								6.3	5.2	4.4	0.7	0.6	0.6

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	114,284	122,125	130,802
Cost of goods sold	(32,494)	(58,444)	(64,283)	(61,824)	(63,654)	(65,538)
Gross profit	37,057	31,356	39,022	52,460	58,471	65,264
Operating expenses	(12,621)	(13,999)	(15,207)	(16,566)	(17,936)	(19,208)
Staff costs	(6,001)	(6,355)	(6,632)	(7,241)	(8,033)	(8,732)
Others	(6,620)	(7,644)	(8,575)	(9,324)	(9,903)	(10,476)
Operating profit	24,436	17,357	23,815	35,895	40,536	46,056
Other income	2,460	2,812	1,982	1,982	1,982	1,982
EBITDA	26,896	20,169	25,797	37,876	42,517	48,038
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	23,171	26,353	30,492
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	19,145	22,457	26,638
Income tax	(2,794)	(958)	(1,906)	(4,786)	(5,614)	(6,659)
After tax profit	8,676	884	7,556	14,359	16,843	19,978
Minority interest	(1,094)	709	(513)	(1,180)	(1,351)	(1,558)
Net profit	7,583	1,593	7,042	13,179	15,492	18,420

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (HK\$ mn)						
Current assets	40,638	53,940	48,631	35,420	35,587	32,919
Cash & equivalents	5,036	7,934	7,721	9,655	10,669	6,419
Account receivables	31,428	37,769	35,616	20,571	19,540	20,928
Inventories	2,912	6,748	4,582	4,406	4,537	4,671
Contract assets	1,262	1,489	712	787	841	901
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	287,093	302,718	314,126
Current liabilities	65,065	68,059	82,671	75,004	79,832	78,331
Short-term borrowings	20,158	23,186	38,383	29,417	32,459	28,899
Account payables	33,587	34,136	30,248	29,091	29,952	30,838
Other current liabilities	11,320	10,737	14,039	16,496	17,422	18,594
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	175,000	179,058	176,688
Share capital	22,317	22,317	22,317	22,317	22,317	22,317
Retained earnings	46,580	44,390	49,783	60,143	70,360	82,579
Other reserves	16,906	21,681	10,139	10,139	10,139	10,139
Total shareholders equity	85,803	88,388	82,239	92,598	102,816	115,035
Minority interest	20,148	18,663	18,315	19,495	20,846	22,404
Total equity and liabilities	259,632	287,355	283,388	287,094	302,719	314,127

<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	19,145	22,457	26,638
Depreciation & amortization	11,713	14,598	14,430	14,705	16,164	17,546
Change in working capital	(6,339)	(10,599)	(595)	16,444	2,634	476
<b>Net cash from operations</b>	<b>20,702</b>	<b>7,400</b>	<b>24,167</b>	<b>45,386</b>	<b>35,519</b>	<b>37,878</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)	(5,275)	(6,201)
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>(3,005)</b>	<b>(10,629)</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>1,933</b>	<b>1,015</b>	<b>(4,251)</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%	10.6%	6.9%	7.1%
Gross profit	7.6%	(15.4%)	24.4%	34.4%	11.5%	11.6%
Operating profit	19.0%	(29.0%)	37.2%	50.7%	12.9%	13.6%
EBITDA	15.1%	(25.0%)	27.9%	46.8%	12.3%	13.0%
EBIT	19.1%	(63.3%)	104.0%	103.8%	13.7%	15.7%
Net profit	15.1%	(79.0%)	342.2%	87.1%	17.6%	18.9%
<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%	45.9%	47.9%	49.9%
Operating margin	35.1%	19.3%	23.1%	31.4%	33.2%	35.2%
EBITDA margin	38.7%	22.5%	25.0%	33.1%	34.8%	36.7%
Return on equity (ROE)	9.6%	1.8%	8.3%	15.1%	15.9%	16.9%
<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	5.9	5.0	4.2
P/B	0.5	0.8	0.9	0.8	0.8	0.7
Div yield (%)	6.9	2.1	3.8	6.8	8.0	9.5

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

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## CMB International Global Markets Limited

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

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