

Jingneng Clean Energy (579.HK)

Results are gradually released

Hong Kong | New Energy | Update Report

7 May 2015

Business results as expected

The Company released its 2014 annual report of business results. Over the year, the Company registered revenues of RMB8.729 billion, up by 39.55% yoy; earnings before interest and tax (EBIT) of RMB2.33 billion, up by 14.36% yoy; and dividends by shareholders of RMB1.208 billion, up by 5.48% yoy. The increases were mainly attributed to the Future Science City and Jing Xi and other projects being put into operation, contributing favorably to the result. Its EPS was RMB0.18.

Gas-fired generation units were put into operation

As the Future Science City, Jing Xi and Gao An Tun projects have been put into operation one after another, the Company's capacity of installed gas-fired generation units has risen to 4,436MW, increasing by 119% from 2,028MW at the end of 2013. Revenue from selling gas power and heat power has increased by 55% and 47% yoy respectively. As the newly installed units were put into production in the second half of 2014, it is expected that they will perform better this year. As for Gao An Tun project, due to the problem of booster station, it won't realize full capacity until the second half of this year. In short, result growth will be released gradually.

Other businesses were on steady growth

The Company achieved 1,815MW of the installed capacity of wind-driving power from 1,699MW at the end of 2013. In 2014, the Company had 150MW capacity approved in addition to travel permits of 450MW. It had a total of 2,090 hours available for generation on a yearly basis, 185 hours more than national average level. It is expected that the wind power business will maintain slow growth in the near future. The installed capacity of photovoltaic generation increased from 50MW at the end of 2013 to 270MW and is expected to hit 470MW by the end of 2015.

Valuation

The Company's gas power generation business is performing well and result will be gradually released. Photovoltaic generation business is likely to experience rapid development in the coming years. The Company has started construction of its garbage power generation plant. The Company is expected to report a significant increase of results this year. We set a target stock price of HK\$4.8 and maintain "Buy" rating, equal to 12 times of anticipated PE ratio in 2015. (Closing price as at 5 May 2015)

Buy (Maintain)

CMP: HKD 3.65

(Closing price as at 5 May 2015)

TARGET: HKD 4.80

COMPANY DATA

O/S SHARES(MN) :	2358
MARTKET CAP (HKD BN) :	86.07
52-WK HI/LO (HKD) :	2.8/ 4.19

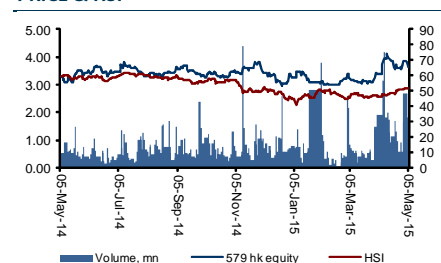
SHARE HOLDING PARTTEN , %

Beijing State Assets Management and Administration Center	68.58
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PRICE PERFORMANCE , %

	1MTH	3MTH	1YR
579HK	12.98	27.67	13.65
HSI	1.71	14.11	-14.32

PRICE & HSI



Source: Phillip Securities (HK) Research

Key Financial Summary

FYE	12/13	12/14	12/15F	12/16F
Operating Profit (RMB 000)	2,037,558	2,330,090	3,652,853	4,000,080
Net Profit, adj. (RMB 000)	1,145,534	1,208,330	2,016,513	2,180,809
EPS, adj. (RMB)	0.18	0.18	0.32	0.34
P/E (X)	16.2	16.2	9.1	8.6
BV/PS (RMB)	1.72	1.90	2.22	2.64
P/B (X)	1.7	1.5	1.3	1.1
DPS (RMB)	0.04	0.04	0.05	0.06
Div. Yield	1.6%	1.6%	2.0%	2.4%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

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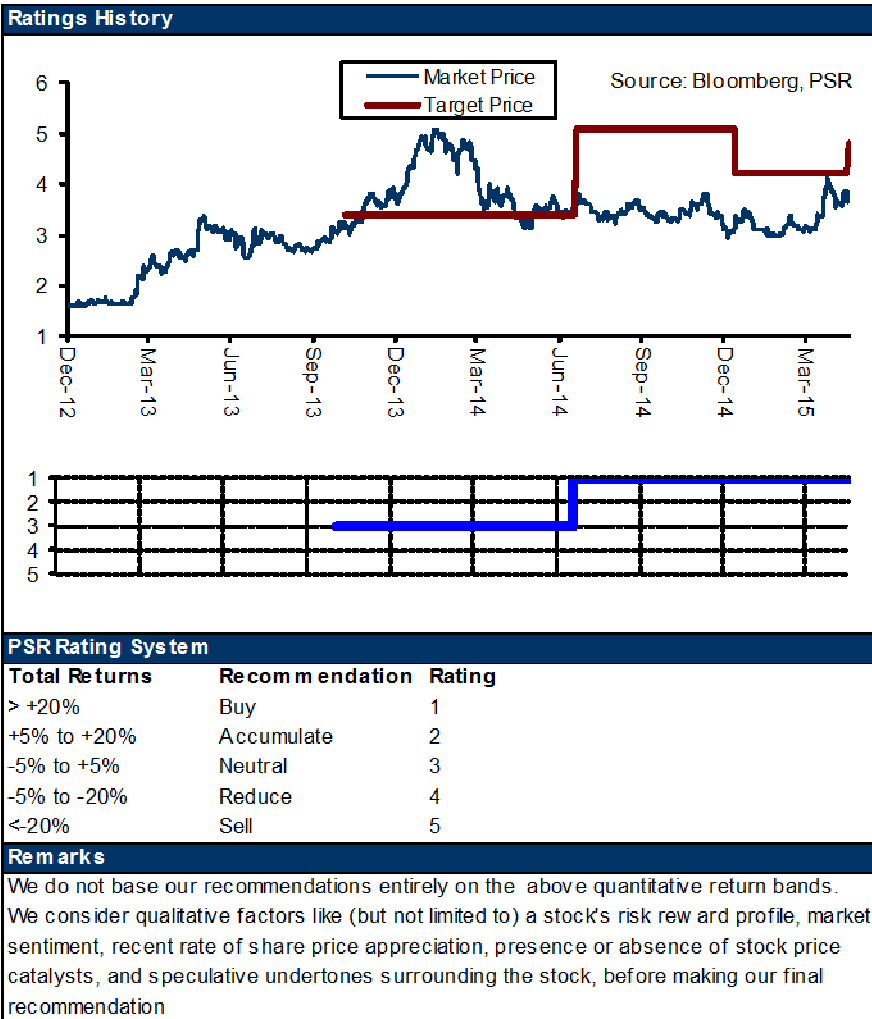
Financials

For Financial Summary at the end of report

FYE	FY12	FY13	FY14	FY15F	FY16F
Valuation Ratios					
P/E (X)	19.5	16.2	16.2	9.1	8.6
P/B (X)	2.0	1.7	1.5	1.3	1.1
Dividend Payout ratio	26.67%	22.22%	22.22%	15.63%	17.65%
Dividend Yield	1.37%	1.37%	1.37%	1.71%	2.05%
Per share data (RMB)					
EPS, reported	0.15	0.18	0.18	0.32	0.34
EPS, adj.	0.15	0.18	0.18	0.32	0.34
DPS	0.04	0.04	0.04	0.05	0.06
BV/PS	1.47	1.72	1.90	2.22	2.64
Growth					
Revenue	6.3%	50.7%	39.6%	50.7%	11.3%
Operating income	3.9%	31.6%	14.4%	56.8%	9.5%
Net Income, adj.	13.3%	25.9%	5.5%	66.9%	8.1%
Key Ratios					
Current ratio	63.93%	60.14%	63.33%	46.00%	36.61%
Gross profit margin	37.31%	32.58%	26.69%	27.76%	27.31%
Net profit margin	21.92%	18.31%	13.84%	15.33%	14.89%
Return on average assets	3.23%	3.29%	10.23%	14.41%	13.29%
Return on average equity	10.21%	11.62%	2.79%	3.79%	3.66%
Liability/asset	70.03%	71.52%	73.08%	74.16%	70.87%
Income statement (thousand RMB)					
Operating revenue	4,151,630	6,254,824	8,728,687	13,158,234	14,646,457
Other income	733,211	1,462,121	1,425,623	1,425,623	1,425,623
Operating expenses	(1,841,308)	(3,659,648)	(5,401,450)	(8,102,175)	(8,912,393)
Depreciation and amortization	(854,438)	(1,102,715)	(1,304,095)	(1,564,914)	(1,721,405)
labor cost	(249,147)	(347,436)	(417,394)	(500,873)	(601,047)
Maintenance cost	(151,208)	(248,961)	(308,804)	(370,565)	(444,678)
other cost	(239,933)	(427,864)	(488,804)	(488,804)	(488,804)
Operating profit	1,548,807	2,037,558	2,330,090	3,652,853	4,000,080
Interest income	27,890	29,636	21,421	32,132	32,132
Interest expense	(708,468)	(905,371)	(1,099,556)	(1,539,378)	(1,693,316)
Investment income	243,710	287,939	319,656	319,656	319,656
Profit before tax	1,111,939	1,449,835	1,571,614	2,465,266	2,658,555
Income tax	(123,533)	(222,352)	(284,321)	(369,790)	(398,783)
Effective income tax rate	11.11%	15.34%	18.09%	15.00%	15.00%
Net profit for the period	988,406	1,227,483	1,287,293	2,095,476	2,259,772
Minority interest	78,305	81,949	78,963	78,963	78,963
Net profit attributable to equity holders	910,101	1,145,534	1,208,330	2,016,513	2,180,809
Balance Sheet (thousand RMB)					
Cash or cash equivalent	2,178,030	2,319,504	4,206,827	3,365,462	2,692,369
Account receivable	1,475,193	1,858,614	4,020,647	3,216,518	2,573,214
Inventory	69,858	84,613	116,687	116,687	116,687
Other current assets	1,139,027	2,139,657	2,097,523	2,097,523	2,097,523
PPE	17,405,497	23,935,069	29,448,034	41,227,248	45,349,972
Other non-current assets	8,841,473	8,155,695	8,192,761	8,192,761	8,192,761
Total Assets	31,109,078	38,493,152	48,082,479	58,216,199	61,022,526
Cash payable	1,915,092	4,797,551	5,188,552	5,707,407	6,278,148
Short term loan	4,266,759	3,617,543	5,286,789	7,401,505	8,141,655
Other current liability	1,422,917	2,230,802	6,012,230	6,012,230	6,012,230
Long term loan	9,305,903	12,077,830	15,996,513	21,395,118	20,155,606
Other non-current liability	4,876,082	4,805,268	2,656,625	2,656,625	2,656,625
Total Liabilities	21,786,753	27,528,994	35,140,709	43,172,885	43,244,264
Shareholders' equity	9,046,785	10,677,085	12,941,770	15,043,314	17,778,262
Minority interest	275,540	287,073	441,933	441,933	441,933
Total shareholders' equity	9,322,325	10,964,158	12,499,837	14,601,381	17,336,329
Total shareholders' equity and liabilities	31,109,078	38,493,152	48,082,479	58,216,199	61,022,526

Source: PSR

(Financial figures as at 5 May 2015)



PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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