

# GBIA (600004.CH)

## More Commercial Values with More Capacity

China | Airport | Company Update

21 March 2018

### Investment Summary

**The annual throughput exceeds 65 million passengers**

**The net profit in the first three quarters increased steadily**

**After putting into operation, T2 Terminal keeps releasing its capacity and reflects its commercial values**

**Baiyun Airport accelerates its building of an international hub**

### Investment Thesis

Given that the company expanded its capital after dividend distribution and share donation, and that the convertible bond redemption had an influence on the dilution of EPS, we forecast its EBITDA/share in 2017/2018 to be RMB 1.32 and 1.65 yuan, our target price of RMB 18.7 yuan, respectively 11.3/9.4x of our expected EBITDA/Share. We give it an "Accumulating" rating. (Closing price as at 19 March 2018)

#### The annual throughput exceeds 65 million passengers

Baiyun Airport is the third largest airline hub in China, with one terminal and three runways. Its source of passengers is mainly the Pearl River Delta region. In 2017, the company had throughput of 65.78 million passengers, an increase of 10.2% compared with that of the previous year, ranking No. 13 globally. As of the end of 2017, Baiyun Airport's route network has covered more than 210 navigation points around the world, among which nearly 90 international and regional destinations are accessible to over 40 countries and regions; more than 75 airlines operate at Baiyun Airport.

#### The net profit in the first three quarters increased steadily

Benefiting from the increased number of peak hours, the volume of business of Baiyun Airport increased steadily in the first three quarters, with 346,000 aircraft movements, 48.64 million throughputs of passengers, 1.29 million tons throughput of cargo and mails, an increase of 7%, 10% and 8%, respectively. Its growth of production data is in the leading position among the three largest airports in China. As CSA, a main base airline, has built the Canton Route and arranged its international flight courses actively in recent years, Baiyun Airport has continuously increased the percentage of its international flight courses, and constantly refined its flight course structure.

In the first three quarters in 2017, the company reported a revenue of RMB4.92 billion, a YoY increase of 8.5%; net profit attributable to parent company stood at RMB1.18 billion, a YoY increase of 11.33%, equivalent to an EPS of RMB0.57. More than one year after the new management performed their responsibilities, the company has kept improving its operating efficiency, decreased the sales expenses and administration expenses by 16% and 13% yoy, respectively, and reduced the administration expense ratio by 1.3 ppts to 5.8% yoy.

#### After putting into operation, T2 Terminal keeps releasing its capacity and reflects its commercial values

The expansion project of Baiyun Airport started in August 2012. This project covers many supporting facilities, including the third runway and its taxing system, T2 Terminal, station site and air traffic control, and oil supply, etc. Among other things, the third runway has been put into operation since February 2015. T2 Terminal will be constructed and put into use in 2018. At that time, Baiyun Airport will be able to meet the needs of 620,000 aircraft movements, 80 million throughput of passengers, and 2.5 million tons thorough of cargo and mails per year, and further break through the bottleneck of capacity.

### Accumulate (Maintain)

CMP: CNY 15.82

(Closing price as at 19 March 2018)

TARGET: CNY18.70 (+18%)

#### COMPANY DATA

O/S SHARES (MN) :	2069
MARKET CAP (CNY MN) :	32737
52 - WK HI/LO (CNY):	20.05/12.55

#### SHARE HOLDING PATTERN, %

Guangdong Airport Authority (GAA)	51.05
HKSCC	4.28

#### PRICE VS. SHCOMP



Source: Phillip Securities (HK) Research

#### KEY FINANCIALS

CNY mn	FY16	FY17E	FY18E	FY19E
Net Sales	5620	6167	6756	8437
Net Profit	1253	1394	1621	1689
EPS, CNY	1.09	1.21	0.78	0.82
P/E, x	14.5	13.1	20.2	19.4
BVPS, CNY	8.14	9.36	7.16	7.74
P/BV, x	1.9	1.7	2.2	2.0
DPS (CNY)	0.32	0.37	0.24	0.25
Div. Yield (%)	2.0%	2.3%	1.5%	1.6%

Source: Company reports, Phillip Securities Est.

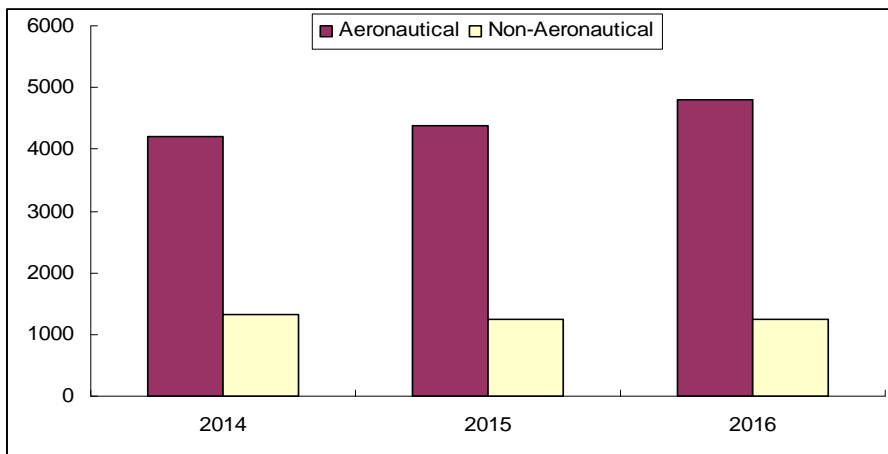
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On the other hand, the commercial parts of T2 Terminal and the transportation center in Phase I cover an area of 44,000 square meters, among which 36,000 square meters are offered to attract investment. At present, the invitations for bids of the duty-free entry and exit, commercial retail and advertising have been successively completed. It is expected that not less than RMB1.3 billion income will be obtained in 2018, which is completely able to cover the depreciation expenditure (RMB414 million) after T2 is put into operation, and will hopefully contribute to a net profit of approximately RMB0.6 billion.

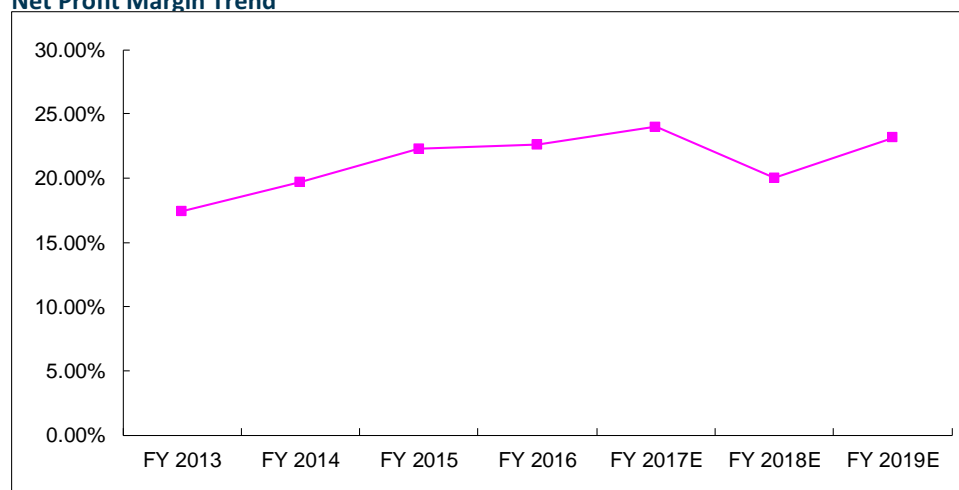
**Baiyun Airport accelerates its building of an international hub**

Facing the Oceania, Southeast Asia and Africa, Baiyun Airport is equipped with obvious regional advantages. In the development and reform planning of the civil aviation industry released by the State Council and the Civil Aviation Administration of China, Baiyun Airport is defined as one of the three largest airport hubs in China. The requirement of building Baiyun Airport into an international airport hub is emphasized in the planning and documents of the Guangzhou Airport Economic Zone Management Committee, Guangzhou Municipality and Guangdong Province. In the first three quarters, the percentage of international passengers of Baiyun Airport has arrived at 24%, and the percentage of transfer passengers of Baiyun Airport has stood at nearly 13%. From a medium- and long-term perspective, Baiyun Airport plans to accelerate the three phases of the expansion projects of the fourth and fifth runways, the fourth eastern and western airside concourses, T3 Terminal, and APM system building, and accelerate the construction of freight facilities. The expansion projects will further meet the increasing demands of air transportation in the Pearl River Delta and south China, and accelerate the building of Baiyun Airport into an international airport hub.

**Revenue breakdown**



Source: Company, Phillip Securities Hong Kong Research

**Net Profit Margin Trend**


Source: Company, Phillip Securities Hong Kong Research

**Peer Comparison**

TICKER	NAME	Makcap (USD million)	EPS - 1yo:Y	P/E	ROE	12M div%	EV / EBITDA - 2018E	EV/EBITDA - 2019E	BEst P/E:2FY	BEst P/E:1FY	BEst P/B:1BF
600004 CH Equity	GUANGZHOU BAYUN INTERNATHA	5399	-10.8	20.3	12.2	1.5	13.7	10.6	20.6	21.9	2.1
002023 CH Equity	SICHUAN HAITE HIGH-TECH CO-A	1169	-2.4	179.0	-0.6	1.0	#N/A N/A	36.5	73.5	106.2	2.1
000089 CH Equity	SHENZHEN AIRPORT CO-A	2837	25.6	27.4	6.1	1.1	11.8	10.1	20.8	24.9	1.5
600009 CH Equity	SHANGHAI INTERNATIONAL AIR-A	15262	12.6	28.4	14.8	0.9	20.4	17.1	23.5	27.2	3.4
ENAV IM Equity	ENAV SPA	2821	47.7	24.3	8.6	4.2	8.8	8.9	22.8	23.7	2.0
ADP FP Equity	ADP	22352	34.0	31.7	12.4	1.4	13.4	12.2	29.2	32.5	3.8
44 HK Equity	HONG KONG AIRCRAFT ENGINEERG	1001	19.9	37.1	4.2	3.1	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A
SGS AB Equity	SAUDI GROUND SERVICES CO	1902	9.8	13.2	18.0	5.1	#N/A N/A	9.6	13.5	13.0	#N/A N/A
SIE SP Equity	SIA ENGINEERING CO LTD	2765	22.5	20.8	11.7	5.5	24.0	23.4	20.3	21.7	2.3
BAFS TB Equity	BANGKOK AVIATION FUEL SERVIC	769	-11.4	24.8	15.8	3.2	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A	#N/A N/A
ACV VN Equity	AIRPORTS CORP OF VIETNAM JSC	9514	#N/A N/A	45.0	21.8	0.6	#N/A N/A	18.5	39.5	50.8	#N/A N/A

Source: Bloomberg, Phillip Securities Hong Kong Research

## Financials

FYE DEC	FY14	FY15	FY16	FY17F	FY18F	FY19F
<b>Valuation Ratios</b>						
P/E (X), adj.	16.7	14.5	13.1	20.2	19.4	14.9
P/EBITDA	8.2	8.2	7.4	12.0	9.6	8.0
P/B (X)	2.1	1.9	1.7	2.2	2.0	1.9
Dividend Yield (%)	1.8%	2.0%	2.3%	1.5%	1.6%	2.1%
<b>Per share data (RMB)</b>						
EPS, (Basic)	0.95	1.09	1.21	0.78	0.82	1.06
EPS, (Diluted)	0.95	1.09	1.21	0.78	0.82	1.06
DPS	0.29	0.32	0.37	0.24	0.25	0.33
BVPS	7.38	8.14	9.36	7.16	7.74	8.54
EBITDA/Share	1.92	1.92	2.15	1.32	1.65	1.98
<b>Growth &amp; Margins (%)</b>						
<b>Growth</b>						
Revenue	7.5%	1.7%	9.7%	9.6%	24.9%	12.8%
EBIT	17.3%	7.1%	14.1%	13.9%	13.7%	28.0%
Net Income, adj.	21.6%	15.2%	11.3%	16.3%	4.2%	30.4%
<b>Margins</b>						
Gross margin	37.8%	39.3%	38.5%	38.9%	36.1%	39.9%
EBIT margin	27.9%	29.3%	30.5%	31.7%	28.9%	32.8%
Net Profit Margin	19.7%	22.3%	22.6%	24.0%	20.0%	23.1%
<b>Key Ratios</b>						
ROE	13.4%	14.0%	13.8%	9.5%	11.0%	13.1%
<b>Income Statement (RMB mn)</b>						
<b>Revenue</b>	<b>5528</b>	<b>5620</b>	<b>6167</b>	<b>6756</b>	<b>8437</b>	<b>9519</b>
<b>Gross profit</b>	2088	2208	2377	2628	3046	3798
EBIT	1540	1649	1883	2144	2438	3120
Profit before tax	1550	1752	1905	2196	2325	3020
<b>Tax</b>	393	458	513	571	628	815
Profit for the period	1157	1294	1392	1625	1697	2205
Minority interests	69	42	-2	4	8	3
Total capital share	1150	1150	1150	2069	2069	2069
<b>Net profit</b>	<b>1088</b>	<b>1253</b>	<b>1394</b>	<b>1621</b>	<b>1689</b>	<b>2202</b>

Source: PSR

(Financial figures as at 19 March 2018)

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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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