

PPWSA (KH100010004 CSX)

August 30, 2019

Performance Highlights

FY ends Dec (KHR'bn)	1H19	% YoY	2Q19	% QoQ	% YoY
Revenue	112.51	-2.8%	57.25	3.6%	-6.8%
EBITDA	60.06	10.9%	30.90	6.0%	1.5%
EBIT	35.45	0.8%	18.52	9.4%	-10.7%
Net finance expense/income	-6.16	612.8%	-7.13	NA	NA
PBT	29.29	-14.6%	11.39	-36.4%	-53.3%
Net profit	17.66	-35.8%	9.23	9.5%	-53.1%
EBITDA margin	53.4%	6.6%pt	54.0%	1.2%pt	4.4%pt
EBIT margin	31.5%	1.2%pt	32.3%	1.7%pt	-1.4%pt
Net margin	15.7%	-8.0%pt	16.1%	0.9%pt	-15.9%pt

Source: Company, YSC Research

1H19 review: net profit falls on forex loss & rising income tax expense

Water subscription continues steady growth

- The total number of water subscriptions rose solidly by 3.6% over the first half of 2019, reaching 380,270 at the end of June. Subscription by households saw the biggest increase, rising 12,143 to 313,977, while commercial and industrial clients was up 1,015 to 59,804. Other type of subscriptions—including public institutions & autonomous state authorities, houses for rent to garment workers, and private distributors—rose modestly by 1.2% to 6,489.

Total line falls slightly as other incomes decline

- Total revenue in 2Q19 fell 6.8% YoY to KHR57.25bn, driven mainly by 66% YoY decline in income from construction services and 53% YoY drop in other income (government and other grants, spare parts and meter sales, penalty revenue and others). However, core water sales, which represented more than 90% of the revenue, continued to see a growth of 3.6% likely due to rising number of subscriptions.
- In 1H19, total revenue came to KHR112.51bn, a 2.8% YoY decrease compared to 1H18. Core water sales increased by KHR4,756mn, while income from construction services and other income decreased by KHR5,050mn and KHR3,004mn, respectively.

EBIT sees modest growth due to rising depreciation expense

- During the first six months of the year, EBITDA rose 10.9% YoY to KHR60.1bn, with EBITDA margin expanding 6.6%pt to 53.4%. The double digit growth in EBITDA was mainly due to a significant drop in construction-related expense and electricity costs. However, during the same period, EBIT rose modestly by just 0.8% YoY to KHR35.5bn as depreciation and amortization expenses jumped 29% YoY as the result of addition of new plant and equipment to expand the company's annual production capacity.

Bottom line plunged 35.8% YoY on forex loss and rising income tax expense

- With net interest expense jumping from KHR864mn to KHR6,155mn driven by the unrealized net foreign exchange gain/loss on borrowings, pre-tax profit in 1H19 dropped 14.6% YoY to KHR29.3bn. On top of rising net interest expense, 1H19 was marked by high income tax expense. As the result, net profit plunged 35.8% YoY to KHR17.7bn.

Water subscriptions

Client	1H19	2018	Change	%Change	1H19 %total
Household clients	313,977	301,834	12,143	4.0%	82.6%
Commercial & industrial clients	59,804	58,789	1,015	1.7%	15.7%
Others	6,489	6,409	80	1.2%	1.7%
Total	380,270	367,032	13,238	3.6%	100.0%

Source: The Company

Revenue breakdown (1H19, 1H18, change, growth, share of total)

KHR'mn	1H19	1H18	Change	%Change	1H19 %total
Water Sales	104,049	99,293	4,756	4.8%	92.5%
Construction Services	1,360	6,411	-5,050	-78.8%	1.2%
Other Incomes	7,104	10,108	-3,004	-29.7%	6.3%
Total revenue	112,513	115,812	-3,299	-2.8%	100.0%

Source: The Company

Last Close	KHR 6,020
-------------------	------------------

Source: CSX, YSC Research

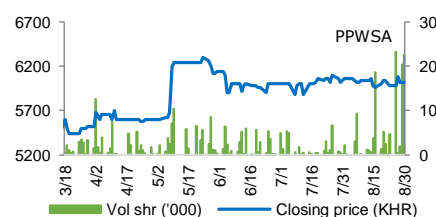
Stock info

Industry	Utilities (Water)
Market cap (KHR'bn)	523.58
Outstanding shares ('mn)	87
Majority shareholder	Ministry of Economy & Fin (%)
	85
Avg. daily vol. (last 6 months, shr)	2,974
Free floating shares (last 6 months, %)	2.74
Price low/high (last 6 months, KHR)	5,420 ~ 6,300
EPS (KHR)	767
P/E (x)	7.85
P/B (x)	0.59
P/B** (x)	1.06
EV/EBITDA (x)	5.74
D/E (%)	65.87

*Based on earnings adjusted for forex gain/loss on borrowings

**Excluding equity of Class A (non-voting) shares.

Stock performance

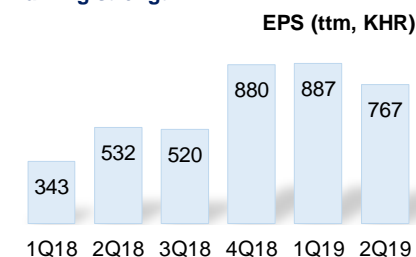


Trading volume & value in last 1 year

	Monthly trading		Average per day	
	Volume (shr) (KHR'mn)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Sep 2018	25,492	82.9	1,342	4.4
Oct 2018	46,905	153.3	2,759	9.0
Nov 2018	33,770	113.3	1,876	6.3
Dec 2018	97,917	372.9	4,896	18.6
Jan 2019	239,176	1,172.4	11,389	56
Feb 2019	109,296	616.2	5,752	32
Mar 2019	42,681	236.7	2,134	12
Apr 2019	48,436	270.4	2,549	14
May 2019	62,755	381.6	3,691	22
Jun 2019	45,437	272.4	2,391	14
Jul 2019	34,790	208.4	1,513	9
Aug 2019	122,773	737.9	5,581	34

Source: CSX, YSC Research

Earning strength



Note: EPS = earnings per share. ttm = trailing twelve months

Research Team
research@yuantacambodia.com
 +855-23-860-800

Net interest income affected by fluctuation in unrealized foreign exchange gain/loss

KHR'mn	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Interest income	1,212	7,733	349	7,520	2,854	84
Interest expense	-5,698	-4,110	-4,408	-1,960	-1,877	-7,216
Net interest income	-4,486	3,623	-4,059	5,560	977	-7,132

Source: The Company

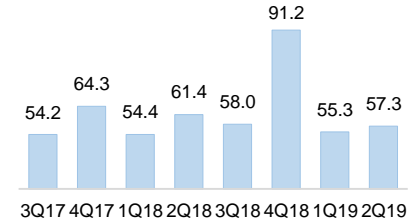
Financial Ratios

FY to Dec	2015	2016	2017	2018	2Q19 (ttm)
Per-share ratios					
EPS (KHR)	620	580	413	880	767
EPS* (KHR, adj. earnings)	478	583	614	808	10,160
BPS (KHR)	8,988	9,405	9,588	10,176	5,663
BPS** (KHR, excluding Class A)	4,491	4,908	5,091	5,679	1,654
EBITDA/shr (KHR)	1,027	1,075	1,339	1,586	3,010
SPS (KHR)	2,200	2,279	2,678	3,048	-
DPS (KHR)	153	160	154	218	767
Valuation ratios					
Share price at end of period	5,080	4,100	3,860	4,200	6,020
P/E (x)	8.19	7.07	9.34	4.77	7.85
P/E* (x, adj. earnings)	10.64	7.04	6.28	5.20	6.99
P/B (x)	0.57	0.44	0.40	0.41	0.59
P/B** (x, excluding Class A)	1.13	0.84	0.76	0.74	1.06
EV/EBITDA (x)	5.82	5.12	4.56	4.68	5.74
P/S (x)	2.31	1.80	1.44	1.38	2.00
Dividend yields (%)	3.00	3.90	3.99	5.18	-
Dividend payout (%)	23.30	28.24	40.50	25.71	-
Profitability ratios					
Gross margin (%)	66.96	68.66	71.04	75.91	79.13
EBITDA margin (%)	46.66	47.16	50.01	52.03	54.94
EBIT (%)	28.56	29.00	34.13	35.79	36.35
Net margin (%)	28.19	25.45	15.43	28.86	25.47
ROE (%)	7.10	6.29	4.33	8.80	7.46
ROE** (% , excluding Class A)	14.62	12.27	8.20	16.00	13.27
ROA (%)	4.48	3.97	2.70	5.44	4.51
Efficiency ratios					
Asset turnover (x)	0.16	0.16	0.18	0.19	0.18
Receivables turnover (x)	5.89	5.72	5.84	8.38	5.28
Payable turnover (x)	2.59	2.05	1.60	0.96	0.72
Financial strength					
Debt/equity (%)	58.2	58.3	62.3	61.2	65.87
Net debt/equity (%)	9.9	14.8	23.2	31.2	33.63
Interest coverage (x)	2.8	3.4	2.4	5.9	6.16
Inter & ST debt cover (x)	1.1	1.1	1.0	1.6	1.65
Current ratio (x)	5.1	3.3	2.0	1.6	1.50
Quick ratio (x)	4.1	2.6	1.4	0.5	0.37
Net debt/EBITDA (x)	0.9	1.3	1.7	2.0	2.1

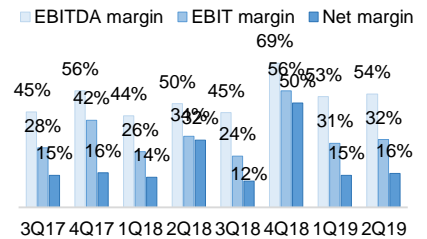
*Based on earnings adjusted for forex gain/loss on borrowings
 **Excluding capital of Class A (non-voting) shares of KHR391bn

Source: The Company, YSC Research

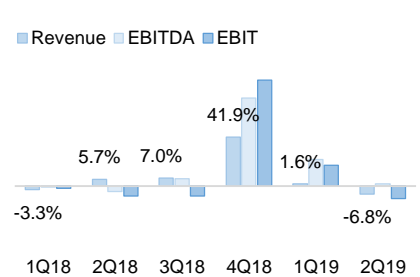
Quarterly revenue (KHR'bn)



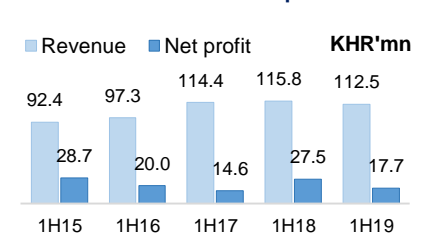
Quarterly profit margin



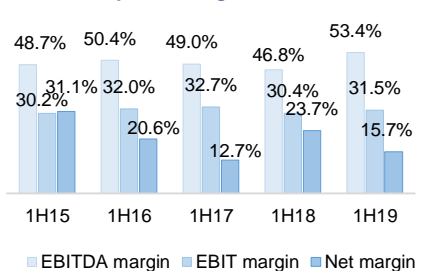
Quarterly revenue and profit growth (YoY)



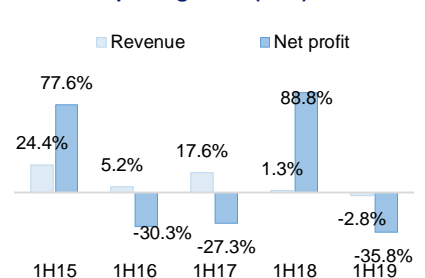
Six-month revenue and net profit



Six-month profit margin



Six-month profit growth (YoY)



Condensed Financial Statements

Statement of comprehensive income					
FY to Dec (KHRbn)	2015	2016	2017	2018	1H19
Revenues	191.3	198.2	232.9	265.1	112.5
COGS	-63.2	-62.1	-67.4	-63.9	-23.9
Gross profit	128.1	136.1	165.4	201.2	88.6
Operating expenses	-35.8	-43.5	-48.7	-62.3	-28.4
Net gain/loss from forex	-3.1	0.9	-0.3	-0.9	-0.2
EBITDA	89.3	93.5	116.5	137.9	60.1
Depreciation & Amortization	-34.6	-36.0	-37.0	-43.1	-24.6
EBIT	54.6	57.5	79.5	94.9	35.4
Interest income	33.2	20.2	6.1	16.8	2.9
Interest expense	-19.9	-17.1	-32.8	-16.2	-9.1
PBT	68.0	60.6	52.8	95.5	29.3
Income tax expense	-14.1	-10.2	-16.9	-19.0	-11.6
Net profit of the period	53.9	50.4	35.9	76.5	17.7
Actuarial loss/gain on retirement benefit	3.0	-1.2	-2.9	-2.9	0.0
Comprehensive income	56.9	49.3	33.1	73.6	17.7

Statement of cash flow					
FY to Dec (KHRbn)	2015	2016	2017	2018	1H19
Operating cash flow	78.7	100.6	83.4	83.1	31.6
Net profit	53.9	50.4	35.9	76.5	29.3
Depreciation & amortization	34.5	36.0	37.0	43.1	24.6
Change in working capital	-10.2	17.8	-25.6	26.7	-18.2
Others	0.5	-3.6	36.1	-63.2	-4.1
Investing cash flow	-81.5	-74.7	-60.1	-98.8	-34.2
Net CAPEX	-91.8	-135.1	-115.4	-161.8	-43.3
ST investment	1.9	46.2	51.6	63.1	9.3
Others	8.5	14.2	3.8	-0.1	-0.2
Financing cash flow	0.3	-22.0	-23.7	13.1	1.9
Net change in share capital	0	0.0	0.0	0.0	0
Net change in debt	19.5	8.6	-1.0	27.6	8.6
Cash dividend	-9.1	-13.3	-13.9	-6.5	-2.8
Others	-10.0	-17.3	-8.7	-8.0	-3.9
Net change in cash & equivalent	-2.4	3.8	-0.4	-2.6	-0.7
Beginning cash & equivalent	15.0	12.6	16.4	16.0	13.4
Ending cash & equivalent	12.5	16.4	16.0	13.4	12.7

Statement of financial position					
FY to Dec (KHRbn)	2015	2016	2017	2018	1H19
Non-current assets	939.4	1,038.6	1,129.5	1,230.0	1,253.9
Fixed assets	936.7	1,036.4	1,124.2	1,215.7	1,239.5
Intangible assets	2.3	2.0	5.2	14.3	14.4
Other non-current assets	0.4	0.3	0.1	0.0	0.0
Current assets	300.8	259.1	232.5	219.4	235.7
Inventories	53.7	48.4	64.5	97.0	108.6
Trade receivables	34.3	35.0	44.8	18.5	21.0
Cash & cash equivalent	12.6	16.4	16.0	13.4	12.7
Short-term investment	194.5	148.3	96.7	33.6	24.3
Other current assets	5.7	11.0	10.5	56.9	69.1
Total assets	1,240.1	1,297.7	1,362.0	1,449.4	1,489.6
Non-current liabilities	396.7	399.5	408.8	411.2	434.7
Long-term debts	256.4	251.6	258.3	285.6	296.7
Refundable water deposits	46.3	54.9	49.7	56.8	61.5
Other non-current liabilities	94.0	93.0	100.8	68.7	76.6
Current liabilities	59.5	78.3	114.1	138.9	156.8
Short-term debts	28.5	34.7	49.4	42.1	42.3
Trade & other payables	27.3	33.4	51.1	82.3	101.3
Other current liabilities	3.6	10.2	13.6	14.5	13.3
Total liabilities	456.2	477.8	522.9	550.1	591.6
Shareholders' equity	784.0	820.0	839.1	899.3	898.1
Share capital	541.2	541.2	541.2	541.2	541.2
Capital reserves	185.8	229.5	264.8	284.5	339.2
Retained earnings	56.9	49.3	33.1	73.6	17.7
Total liabilities & equity	1,240.1	1,297.7	1,362.0	1,449.4	1,489.6
Net debt	272.3	269.9	291.6	314.4	326.3
Total debt	284.9	286.3	307.6	327.8	339.0

Yuanta Securities Network



DISCLAIMER

This research report has been prepared for informational purposes only; it does not constitute an offer or a solicitation of an offer to buy or sell any securities or other financial instruments. The information and data contained in this report have been obtained from sources we consider reliable; however, we make no representation that the information provided in this report is accurate or complete, and it should not be relied on as such. The recipient of this report should use his/her independent judgment regarding the sale or purchase of any securities or financial instruments mentioned herein. We disclaim any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is for our clients only. It is copyrighted material and may not be reproduced, transmitted, quoted, or distributed in any manner without the prior written consent of Yuanta Securities (Cambodia) Plc.