

PPWSA (KH100010004 CSX)

May 17, 2023

Performance Highlights

FY ends Dec (KHR'bn)	1Q23	4Q22	1Q22	% QoQ	% YoY
Revenue	83.01	92.27	82.02	-10.0%	1.2%
EBITDA	42.0	42.9	46.9	-2.0%	-10.5%
EBIT	26.9	28.0	32.0	-4.1%	-16.1%
Net finance income	14.9	-3.5	8.7	-529.2%	71.9%
PBT	41.7	24.5	40.7	70.1%	2.6%
Net profit	38.4	22.1	30.3	73.9%	26.8%
EBITDA margin	50.6%	46.4%	57.2%	4.1%pt	-6.6%pt
EBIT margin	32.4%	30.4%	39.1%	2.0%pt	-6.7%pt
Net margin	46.3%	23.9%	36.9%	22.3%pt	9.3%pt

Source: Company, YSC Research

1Q23 Review: Core revenue growth continues to be resilient

Commercial & industrial clients continue to drive water demand growth

- Water subscriptions increased 4.8% YoY to 458,909 connections at the end of 1Q23. Household clients make up the vast majority of water subscribers, with 366,997 connections, or 80.0% of the total connections. Commercial and industrial clients account for 85,180 connections or 18.6% of the total, while the remaining 6,732 connections are from members of the government, autonomous state authorities, private water distributors, and other organizations. The number of commercial and industrial clients continued to experience strong growth, increasing by 7,070 connections or 9.1% YoY from the end of 1Q22. In comparison, the number of household clients increased only by 4.0% during the same period.
- The overall water demand had continued its upward trend, increasing 5.2% YoY to 54.1 million cubic meters in 1Q23. The increase can be mainly attributed to the rising demand from commercial and industrial clients, which rose by 9.7%. Meanwhile, water consumption by subscribers including public institutions & autonomous state bodies, wholesalers & rental rooms, climbed 16.3% YoY, although the demand from households remained stagnant with just a 0.1% YoY growth.

Top line remains stable despite solid growth in core water sales

- Total revenue went up slightly by 1.2% YoY to KHR83bn in 1Q23, but down 10.0% QoQ. Even though the average water tariff dropped 1% compared to 1Q22, core water sales continue to rise 6.7% YoY to KHR73.7bn, or 88.8% of total revenue. Water sales to commercial and industrial clients saw the biggest growth of 10.8% YoY to almost KHR35.6bn in 1Q23, as water consumption from them continues to surge. On the other hand, water sales to household clients remained almost unchanged with only a 0.4% increase from KHR26.4bn in 1Q22 to KHR26.5bn in 1Q23. Meanwhile, water sales to public institutions & autonomous state bodies, wholesalers & rental rooms dropped by 13.0% YoY as the average water tariff for them decreased 25% from KHR1,443 in 1Q22 to KHR1,080.
- On the other hand, revenue from construction services, which represented 8.2% of total revenue, increased dramatically by 78.8% YoY from KHR3.8 billion to KHR6.8 billion in the first quarter. In contrast, other incomes, which include the maintenance fee for water meters, the sale of supplies for water connections, penalty fees, and others, showed an opposite trend by plunging 73.1% YoY to KHR2.4 billion, representing 2.9% of total revenue.

Rising costs of raw materials and salaries squeeze operating profit margin by 6.7%pt YoY

- In 1Q23, EBITDA came to KHR42.0bn, down 2.0% QoQ, and 10.5% YoY. Operating expenses (excluding depreciation & amortization) increased 16.9% YoY to KHR56.1bn, driven mainly by a 15.0% YoY increase in salaries, and a 21.5% YoY increase in raw materials for water treatment and household connection. This led to a squeeze in EBITDA margin by 6.0%pt YoY to 50.6%. With depreciation and amortization expenses edging up 1.6% YoY, EBIT fell 16.1% YoY to KHR26.9bn. As a result, EBIT margin narrowed 6.7%pt YoY to 32.4% in 1Q23.

Net profit surges 26.8% YoY to KHR38.4bn in 1Q23 on unrealized forex gain

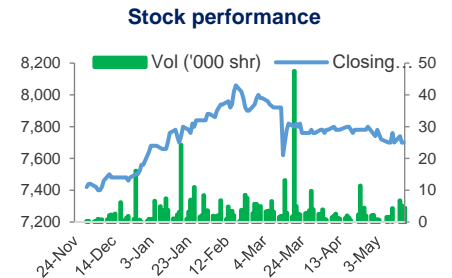
- Net finance income increased from KHR8.7bn in 1Q22 to KHR14.9bn in 1Q23. The net unrealized foreign exchange gain on borrowings came to KHR14.1bn, up from KHR8.6bn in 1Q22, leading to an increase in the net finance income. This was mainly the result of KHR appreciation against USD as most of PPWSA's loans were made in the foreign currency, while its base currency for accounting record is KHR. Consequently, net profit climbed 26.8% to KHR38.4bn with net margin improving by 9.3%pt YoY to 46.3%.

Closing Price	KHR 7,700
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Source: CSX, YSC Research

Stock info	
Industry	Utilities (Water)
Market cap (KHR'bn)	670
Outstanding shares ('mn)	21
Majority shareholder	
Ministry of Economy & Fin (%)	80
Avg. daily vol. (last 6 months, shr)	3,428
Free floating shares (last 6 months, %)	11.12
Price low/high (last 6 months, KHR)	7,300 ~ 8,060
EPS (KHR)	1,337
P/E (x)	5.79
P/E* (x, adj. earnings)	6.19
P/B (x)	0.52
P/B** (x)	0.75
EV/EBITDA (x)	3.75
D/E (%)	110.82

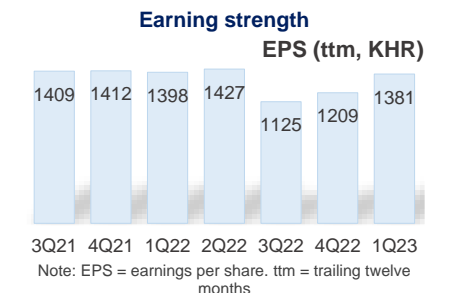
*Based on earnings adjusted for forex gain/loss
**Excluding equity of class A (non-voting) shares.



Trading volume/value in last 12 months

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Apr-22	80,346	604	4,229	32
May-22	210,816	1,619	10,039	77
Jun-22	55,966	416	2,665	20
Jul-22	27,857	207	1,327	10
Aug-22	21,595	160	939	7
Sep-22	128,244	880	6,107	42
Oct-22	47,369	346	2,256	16
Nov-22	22,701	168	1,195	9
Dec-22	48,220	360	2,192	16
Jan-23	96,464	745	4,385	34
Feb-23	75,678	601	3,784	30
Mar-23	122,536	949	5,570	43
Apr-23	41,968	326	2,209	17

Source: CSX, YSC Research



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Water subscription

Client	1Q23	1Q22	Change	%Change	1Q23 % total
Household clients	366,997	353,020	13,977	4.0%	80.0%
Commercial & industrial clients	85,180	78,110	7,070	9.1%	18.6%
Others	6,732	6,653	79	1.2%	1.5%
Total	458,909	437,783	21,126	4.8%	100.0%

Source: The Company

Revenue breakdown

KHR'mn	1Q23	1Q22	Change	%Change	1Q23 % total
Water Sales	73,743	69,132	4,610	6.7%	88.8%
Construction Services	6,825	3,817	3,009	78.8%	8.2%
Other Incomes	2,444	9,071	-6,627	-73.1%	2.9%
Total revenue	83,012	82,020	992	1.2%	100.0%

Source: The Company

Operating expense breakdown

KHR'mn	1Q23	1Q22	Change	%Change	1Q23 % total
Depreciation & Amortization	15,118	14,879	239	1.6%	26.9%
Electricity	8,953	8,524	430	5.0%	15.9%
Salaries	18,457	16,054	2,403	15.0%	32.9%
Raw materials for water treatment	3,381	2,580	801	31.0%	6.0%
Raw materials for water connections	1,157	1,154	3	0.3%	2.1%
Repair & maintenance	2,294	1,359	934	68.7%	4.1%
Construction service expenses	3,205	1,991	1,214	61.0%	5.7%
Other operating expenses	2,685	2,316	369	16.0%	4.8%
Net gain/loss from forex	891	1,127	-236	-21.0%	1.6%
Total operating expense	56,141	49,984	6,157	12.3%	100.0%

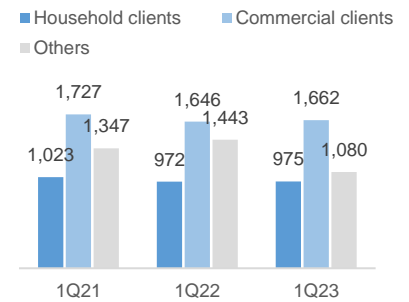
Source: The Company

Financial Ratios

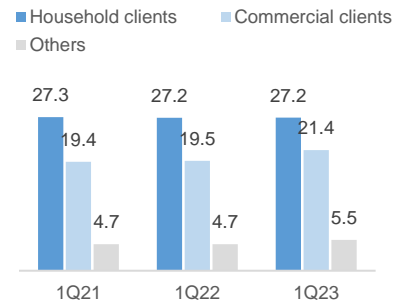
FY to Dec	2019	2020	2021	2022	1Q23 (ttm)
Per-share ratios					
EPS (KHR)	383	1,016	1,486	1,244	1,337
EPS* (KHR, adj. earnings)	390	1,096	1,412	1,202	1,251
BPS (KHR)	10,351	11,141	13,270	14,489	14,885
BPS** (KHR, excluding Class A)	5,855	6,644	8,773	9,992	10,388
EBITDA/sir (KHR)	1,169	2,069	2,441	2,119	2,063
SPS (KHR)	2,472	3,730	4,218	3,980	3,992
DPS (KHR)	230	262	310	n/a	-
Valuation ratios					
Share price at year end	6,000	6,100	7,160	7,560	7,760
P/E (x)	15.67	6.00	4.82	6.08	5.80
P/E* (x, adj. earnings)	15.38	5.57	5.07	6.29	6.20
P/B** (x, excluding Class A)	1.02	0.92	0.82	0.76	0.52
EV/EBITDA (x)	7.73	5.34	6.02	8.03	0.75
P/S (x)	2.43	1.64	1.70	1.90	8.51
Dividend yields (%)	3.83	4.30	4.33	n/a	1.94
Dividend payout (%)	60.09	25.79	20.86	n/a	-
Profitability ratios					
Gross margin (%)	74.21	76.33	78.74	77.77	76.86
EBITDA margin (%)	47.28	55.49	57.87	53.25	51.68
EBIT (%)	24.17	39.95	42.82	36.07	34.48
Net margin (%)	15.48	27.24	35.24	31.25	33.50
ROE (%)	3.67	9.32	12.03	8.87	9.02
ROE** (% , excluding Class A)	6.46	15.87	18.92	13.06	12.95
ROA (%)	2.18	5.09	6.20	4.34	4.28
Efficiency ratios					
Asset turnover (x)	0.14	0.19	0.18	0.14	0.13
Receivables turnover (x)	13.43	16.55	14.52	13.03	3.85
Payable turnover (x)	0.40	0.43	0.52	0.52	0.37
Financial strength					
Debt/equity (%)	75.6	89.9	97.7	111.0	110.8
Net debt/equity (%)	28.9	43.8	56.2	64.7	65.2
Interest coverage (x)	4.5	7.9	32.8	10.3	4.9
Inter & ST debt cover (x)	1.2	2.7	5.6	3.5	2.5
Current ratio (x)	0.9	1.3	2.1	2.3	2.0
Quick ratio (x)	0.4	0.7	1.0	1.1	1.0
Net debt/EBITDA (x)	2.6	2.4	3.1	4.5	4.7

Note: *Based on earnings adjusted for forex gain/loss on borrowings; **Excluding Class A (non-voting) shares
Source: The Company, YSC Research

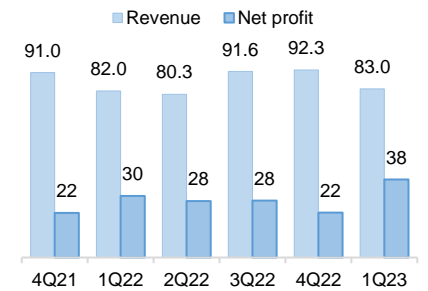
Average water tariff (KHR)



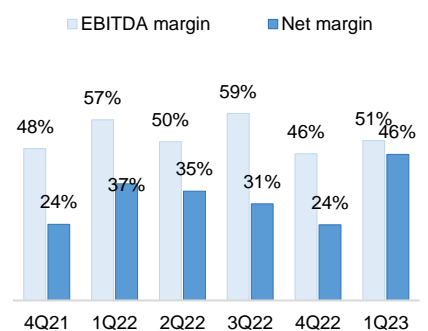
Water demand (million m³)



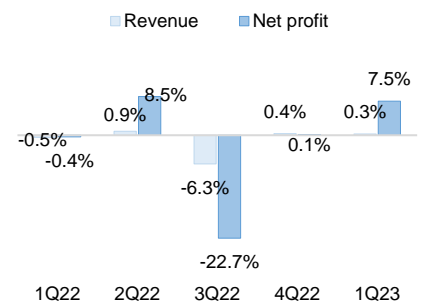
Quarterly revenue & net profit (KHR'bn)



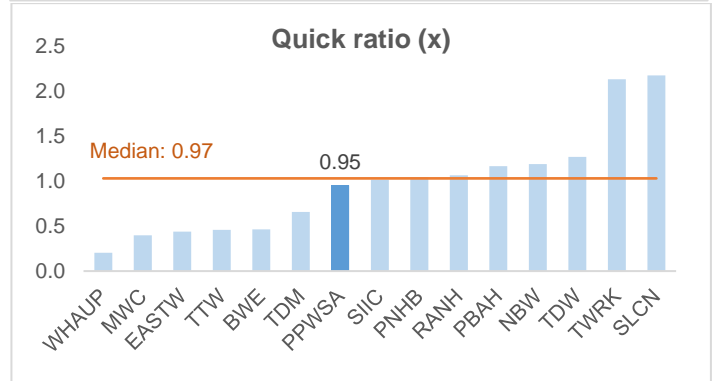
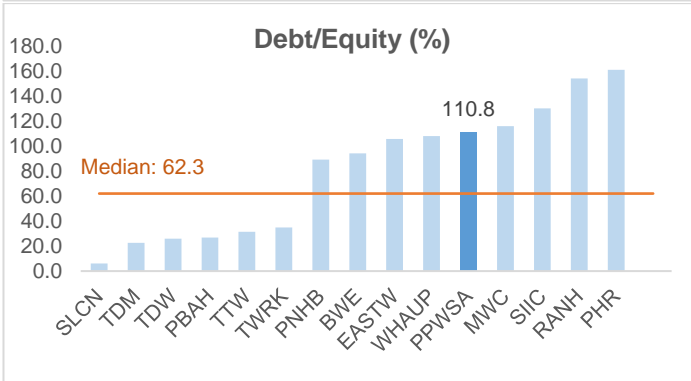
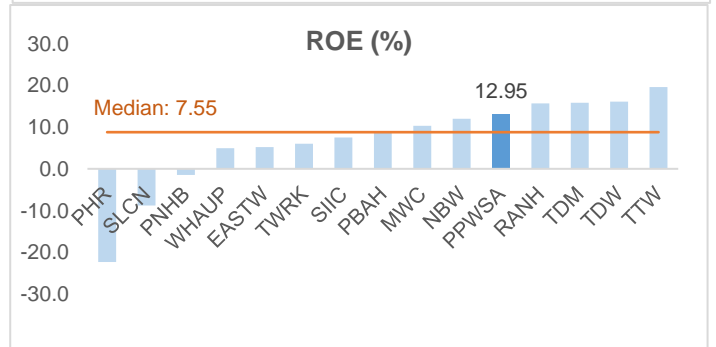
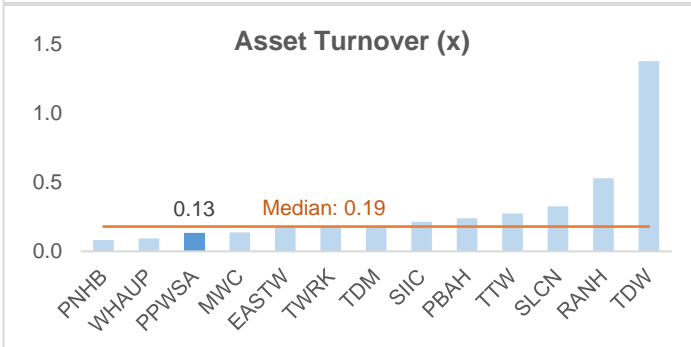
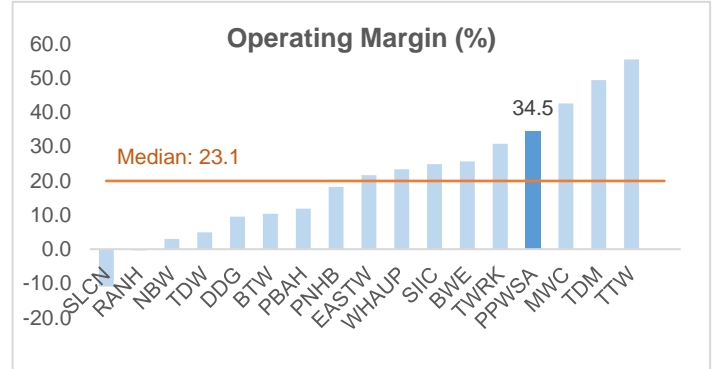
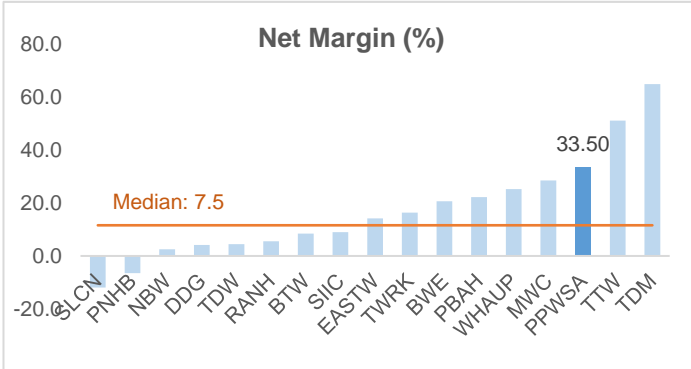
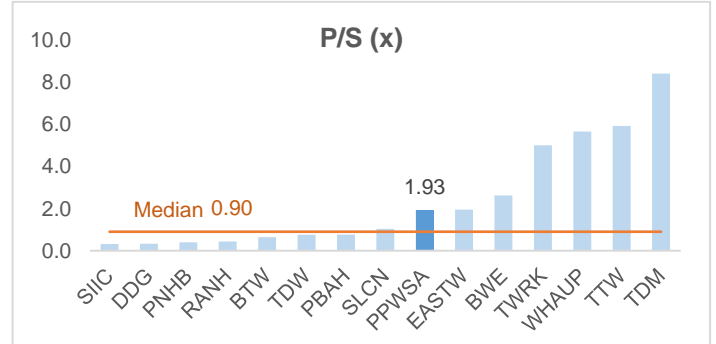
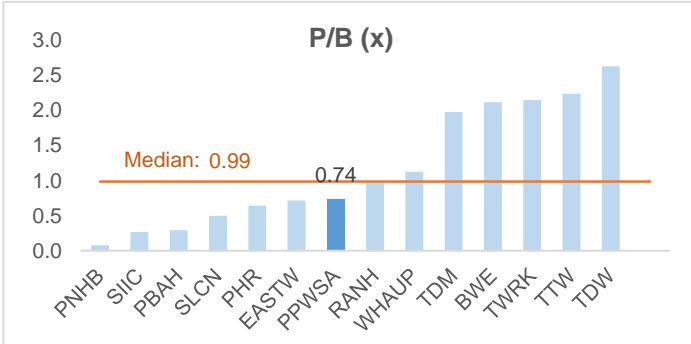
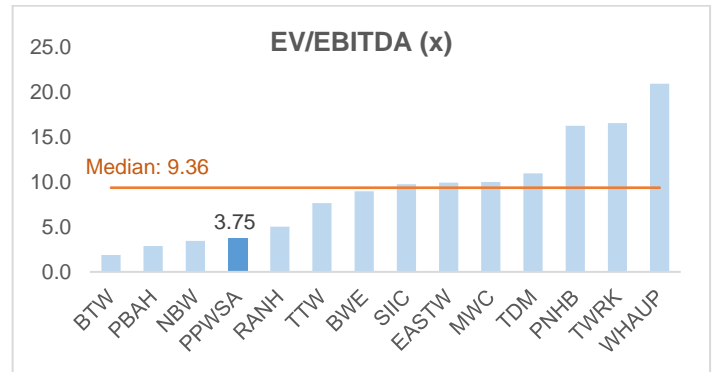
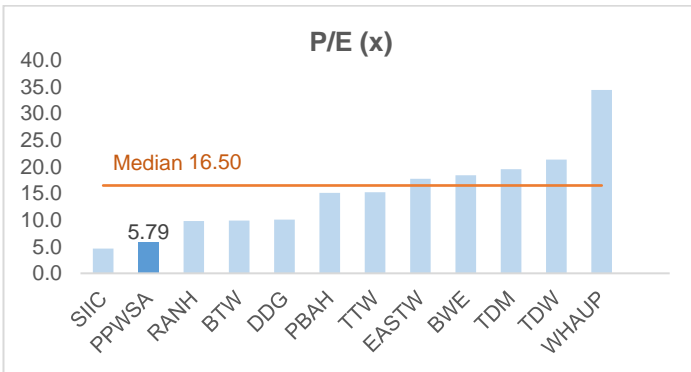
Quarterly profit margin



Quarterly profit growth (QoQ)



ASEAN Peers Comparison



Note: All figures are trailing-twelve-month figures obtained from Bloomberg; Share price as of May 16, 2023; PPWSA's price data is as of May 17, 2023
Source: Reuters, YSC Research

Peer Companies Information

No	Stock Symbol	Company Name	Stock Exchange	Country
1	BTW	Ben Thanh Water Supply Joint Stock Company	HNX	Vietnam
2	BWE	Binh Duong Water - Environment Joint Stock Company	HOSE	Vietnam
3	CLW	Cholon Water Supply Joint Stock Company	HOSE	Vietnam
4	DDG	Indochine Import Export Industrial Investment Joint Stock Company	HNX	Vietnam
5	EASTW	Eastern Water Resources Development and Management Public Company Limited	SET	Thailand
6	GDW	Gia Dinh Wasuco Joint Stock Company	HNX	Vietnam
7	MWC	Manila Water Company, Inc.	PSE	Philippines
8	NBW	Nha Be Water Supply Joint Stock Company	HNX	Vietnam
9	PBAH	PBA Holdings Bhd	KLSE	Malaysia
10	PHR	PH Resorts Group Holdings, Inc.	PSE	Philippines
11	PNHB	Puncak Niaga Holdings Berhad	KLSE	Malaysia
12	RANH	Ranhill Holdings Berhad	KLSE	Malaysia
13	SII	Saigon Water Infrastructure Corporation	HOSE	Vietnam
14	SIIC	SIIC Environment Holdings Ltd.	SGX	Singapore
15	SLCN	Salcon Berhad	KLSE	Malaysia
16	TDM	Thu Dau Mot Water Joint Stock Company	HOSE	Vietnam
17	TDW	Thu Duc Water Supply Joint Stock Company	HOSE	Vietnam
18	TTW	TTW Public Company Limited	SET	Thailand
19	TWRK	Taliworks Corporation Berhad	KLSE	Malaysia
20	WHAUP	WHA Utilities and Power Public Company Limited	SET	Thailand

Condensed Financial Statements

Statement of comprehensive income				
FY to Dec (KHRbn)	2020	2021	2022	1Q23
Revenues	324.4	366.9	346.2	83.0
COGS	-76.8	-78.0	-76.9	-19.0
Gross profit	247.6	288.9	269.2	64.0
Operating expenses	-64.3	-78.9	-81.4	-21.1
Net gain/loss from forex	-3.3	2.3	-3.5	-0.9
EBITDA	180.0	212.3	184.3	42.0
Depreciation & Amortization	-50.4	-55.2	-59.5	-15.1
EBIT	129.6	157.1	124.9	26.9
Interest income	7.6	13.6	17.7	16.0
Interest expense	-16.5	-4.8	-12.1	-1.2
PBT	120.7	165.9	130.5	41.7
Income tax expense	-32.4	-36.6	-22.3	-3.3
Net profit of the period	88.4	129.3	108.2	38.4
Actuarial loss/gain on retirement benefit	0.0	0.0	0.0	0.0
Comprehensive income	88.4	129.3	108.2	38.4

Statement of cash flow				
FY to Dec (KHRbn)	2020	2021	2022	1Q23
Operating cash flow	68.8	69.3	72.2	61.7
Net profit	88.4	129.3	108.2	41.7
Depreciation & amortization	50.4	55.2	59.5	15.1
Change in working capital	-75.8	-61.5	-75.6	36.4
Others	5.9	-53.7	-19.8	-31.6
Investing cash flow	-199.3	-342.9	-288.1	-101.6
Net CAPEX	-195.9	-289.7	-281.6	-101.0
ST investment	-0.5	-49.7	-58.0	0.7
Others	-2.9	-3.4	51.5	-1.3
Financing cash flow	175.1	263.5	187.4	21.1
Net change in share capital	0.0	78.1	1.4	0
Net change in debt	202.2	274.6	197.5	22.6
Cash dividend	-26.0	-3.4	-4.0	0.0
Others	-1.2	-85.7	-7.5	-1.5
Net change in cash & equivalent	44.5	-10.1	-28.5	-18.9
Beginning cash & equivalent	55.2	99.7	89.7	61.2
Ending cash & equivalent	99.7	89.7	61.2	42.3

Statement of financial position				
FY to Dec (KHRbn)	2020	2021	2022	1Q23
Non-current assets	1,586.7	1,906.4	2,215.1	2,305.5
Fixed assets	1,573.6	1,893.9	2,203.0	2,293.7
Intangible assets	13.1	12.5	12.1	11.8
Other non-current assets	0.0	0.0	0.0	0.0
Current assets	277.9	400.4	469.0	448.5
Inventories	78.6	143.7	152.7	131.3
Trade receivables	25.6	24.9	28.3	48.4
Cash & cash equivalent	99.7	89.7	61.2	42.3
Short-term investment	18.4	68.2	126.1	125.4
Other current assets	55.5	74.0	100.7	101.2
Total assets	1,864.6	2,306.8	2,684.1	2,754.0
Non-current liabilities	663.8	948.9	1,209.6	1,220.8
Long-term debts	517.3	790.4	986.5	996.3
Refundable water deposits	65.2	69.4	76.8	78.8
Other non-current liabilities	81.3	89.1	146.3	145.8
Current liabilities	218.8	191.3	202.4	226.9
Short-term debts	30.8	23.1	23.5	23.2
Trade & other payables	156.6	142.0	154.7	193.4
Other current liabilities	31.3	26.2	24.2	10.3
Total liabilities	882.6	1,140.2	1,411.9	1,447.7
Shareholders' equity	982.1	1,166.6	1,272.2	1,306.3
Share capital	541.2	619.3	620.8	620.8
Capital reserves	352.5	418.0	543.3	647.1
Retained earnings	88.4	129.3	108.2	38.4
Total liabilities & equity	1,864.6	2,306.8	2,684.1	2,754.0
Net debt	448.4	723.8	948.8	977.2
Total debt	548.1	813.5	1,010.0	1,019.4

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