

PPWSA (KH1000010004 CSX)

Performance Highlights

FY ends Dec (KHR'bn)	1Q24	4Q23	1Q23	%QoQ	% YoY
Revenue	105.76	100.92	83.01	4.8%	27.4%
EBITDA	60.0	54.7	42.0	9.6%	42.9%
EBIT	45.2	39.2	26.9	15.3%	68.3%
Net finance income	17.6	0.9	14.9	1869.4%	18.4%
PBT	62.8	40.1	41.7	56.6%	50.5%
Net profit	52.1	35.2	38.4	48.0%	35.6%
EBITDA margin	56.7%	54.2%	50.6%	2.5%pt	6.1%pt
EBIT margin	42.8%	38.9%	32.4%	3.9%pt	10.4%pt
Net income margin	49.3%	34.9%	46.3%	14.4%pt	3.0%pt

Source: Company, YSC Research

1Q24 Review: Robust Revenue Growth leads to 35.6% Net Profit Increase

Household clients continued to drive water demand growth

- As of the end of 1Q24, total water subscription reached 485,755 connections, an increase of 5.8% YoY. Household clients made up 79.8% of water subscribers, with 387,600 connections. Additionally, this segment continues to achieve a solid growth of 5.6% YoY, experiencing several quarters of consecutive growth since the pre-covid era. Commercial & industrial clients account for 91,482 connections or 18.8% of total connections, while the remaining 6,673 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 6,302 connections or 7.4% compared to the end of 1Q23.
- The overall water demand has continued its upward trend, increasing 28% YoY to 69.2 million cubic meters in 1Q24. The increase can be attributed to the robust demand of at least 25% YoY across all customer segments, with household clients seeing the highest growth (+29.8% YoY).

Top line posted strongest YoY growth since 3Q21

- Total revenue saw robust growth of 27.4% YoY, reaching KHR105.8bn. With the double-digit YoY growth in demand from all types of customers, core water sales surged 24.8% YoY to KHR94.7bn, equivalent to 89.5% of total revenue. Water sales to household clients grew robustly at 32.7% YoY to reach KHR35.2bn. Meanwhile, water sales to commercial clients rose 27.3% YoY from KHR35.6bn to KHR45.4bn. Finally, water sales to public institutions, autonomous state bodies, wholesalers, and rental rooms saw the largest growth of 65.7% YoY, reaching KHR 3.0bn.
- Construction services, which represents 2.1% of total revenue, sharply declined 67.8% YoY from KHR6.8bn to KHR2.2bn. On the other hand, other incomes, which include service fees from water meter replacement, sales spare parts, and penalty fees, rose 4x from KHR 2.4bn in 1Q23 to KHR 8.9bn in 1Q24.

EBITDA margin improved by 6.1%pt YoY in 1Q24

- Operating expenses (including depreciation & amortization) increased moderately by 7.8% YoY from KHR 56.1bn to KHR 60.5bn. The increase in total operating expenses can be attributed mainly to higher costs in electricity (+38.6 YoY), raw materials for water treatment (+25.6% YoY) and water connections (+20.1% YoY), repair and materials (+66.6% YoY), and other operating expenses (+32.3% YoY). Despite the increase in total operating expenses, EBITDA surged 42.9% YoY to KHR 60.0bn with EBITDA margin improving 6.1%pt YoY to 56.7%. As depreciation and amortization expenses decreased 2.3% YoY, EBIT jumped 68.3% YoY to KHR 45.2bn. Therefore, EBIT margin expanded 10.4%pt YoY to 42.8% in 1Q24.

Net profit surged by 35.6% YoY in 1Q24

- Net finance income increased from KHR 14.9bn to KHR 17.6bn in 1Q24. As a result, net income increased from KHR 38.4bn to KHR 52.1bn, a significant 35.6% increase YoY, leading to a better net income margin of 49.3% (+3.0%pt YoY). This improvement was driven by strong revenue growth and an enhanced EBIT margin.
- EPS increased from KHR 1,337 in 1Q23 to KHR 1,613 in 1Q24, with PPWSA's stock trading at a P/E ratio of 4.50x as of end of 1Q24.

June 25, 2024

Closing Price	KHR 6,980
IPO Price	KHR 6,300

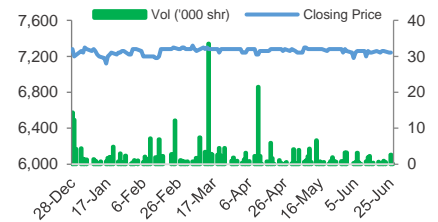
Source: CSX, YSC Research

Stock Info

Stock Info	
Industry	Utilities (Water)
Market cap (KHR'bn)	607
Outstanding shares ('mn)	21
Majority shareholder	Ministry of Economy & Fin (%) 80
Avg. daily vol. (last 6 months, shr)	3,952
Free floating shares (last 6 months, %)	14.68
Price low/high (last 6 months, KHR)	6,960 ~ 7,380
EPS (KHR)	1,613
P/E (x)	4.50
P/E* (x, adj. earnings)	4.53
P/B (x)	0.44
P/B** (x)	0.61
EV/EBITDA (x)	7.89
D/E (%)	123.82

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

Stock Performance



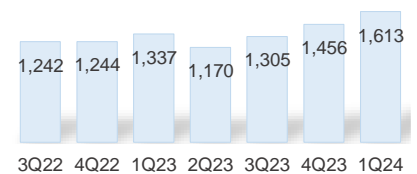
Trading Volume/Value in Last 12 Months

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
May-24	143,648	1036	7,182	51.81
Apr-24	71,209	505	3,560	25.27
Mar-24	22,214	161	1,111	8.03
Feb-24	30,854	224	1,469	10.66
Jan-24	47,766	345	2,077	15.01
Dec-23	89,953	651	4,283	31.02
Nov-23	35,021	252	1,843	13.28
Oct-23	60,791	437	2,895	20.80
Sep-23	80,537	589	3,835	28.06
Aug-23	43,719	327	1,901	14.21
Jul-23	38,637	288	1,932	14.39
Jun-23	76,216	584	3,464	26.54
May-23	76,689	594	3,486	27.01

Source: CSX, YSC Research

Earning Strength

EPS (ttm, KHR)



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

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Water Subscription

Client	1Q24	1Q23	Change	%Change	1Q24 % total
Household clients	387,600	366,997	20,603	5.6%	79.8%
Commercial & industrial clients	91,482	85,180	6,302	7.4%	18.8%
Others	6,673	6,732	-59	-0.9%	1.4%
Total	485,755	458,909	26,846	5.8%	100.0%

Source: The Company

Revenue Breakdown

KHR'mn	1Q24	1Q23	Change	%Change	1Q24 % total
Water Sales	94,663	73,743	20,921	28.4%	89.5%
Construction Services	2,195	6,825	-4,630	-67.8%	2.1%
Other Incomes	8,903	2,444	6,459	264.3%	8.4%
Total revenue	105,761	83,012	22,749	27.4%	100.0%

Source: The Company

Operating Expense Breakdown

KHR'mn	1Q24	1Q23	Change	%Change	1Q24 % total
Depreciation & Amortization	14,765	15,118	-353	-2.3%	24.4%
Electricity	12,409	8,953	3,456	38.6%	20.5%
Salaries	19,846	18,457	1,389	7.5%	32.8%
Raw materials for water treatment	4,245	3,381	864	25.6%	7.0%
Raw materials for water connections	1,390	1,157	233	20.1%	2.3%
Repair & maintenance	3,821	2,294	1,527	66.6%	6.3%
Construction service expenses	1,826	3,205	-1,378	-43.0%	3.0%
Other operating expenses	3,552	2,685	866	32.3%	5.9%
Net gain/loss from forex	-1,051	891	-1,941	-218.0%	-1.7%
Reversal of impairment	-261	0	-261	N/A	-0.4%
Total operating expense	60,543	56,141	4,402	7.8%	100.0%

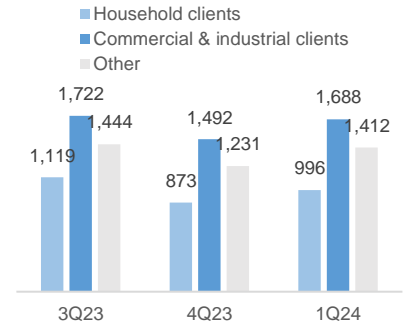
Source: The Company

Financial Ratios

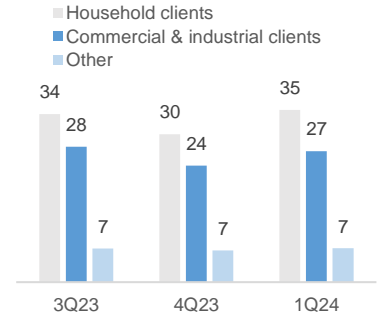
FY to Dec	2020	2021	2022	2023	1Q24 (ttm)
Per-share ratios					
EPS (KHR)	1,016	1,486	1,244	1,456	1,613
EPS* (KHR, adj. earnings)	1,096	1,412	1,202	1,547	1,602
BPS (KHR)	11,141	13,270	14,489	15,914	16,465
BPS** (KHR, excluding Class A)	6,644	8,773	9,992	11,417	11,968
EBITDA/sir (KHR)	2,069	2,441	2,119	2,440	2,673
SPS (KHR)	3,730	4,218	3,980	4,460	4,722
DPS (KHR)	262	310	330	350	-
Valuation ratios					
Share price at year end	6,100	7,160	7,560	7,280	7,260
P/E (x)	6.00	4.82	6.08	5.00	4.50
P/E* (x, adj. earnings)	5.57	5.07	6.29	4.70	4.53
P/B** (x, excluding Class A)	0.92	0.82	0.76	0.64	0.61
EV/EBITDA (x)	5.34	6.02	8.03	8.44	7.89
P/S (x)	1.64	1.70	1.90	1.63	1.54
Dividend yields (%)	4.30	4.33	4.37	4.82	-
Dividend payout (%)	25.79	20.86	26.53	25.04	-
Profitability ratios					
Gross margin (%)	76.33	78.74	77.77	78.25	78.38
EBITDA margin (%)	55.49	57.87	53.25	54.71	56.60
EBIT (%)	39.95	42.82	36.07	38.73	41.60
Net margin (%)	27.24	35.24	31.25	32.64	34.16
ROE (%)	9.32	12.03	8.87	9.50	9.89
ROE** (% , excluding Class A)	15.87	18.92	13.06	13.44	13.66
ROA (%)	5.09	6.20	4.34	4.33	4.39
Efficiency ratios					
Asset turnover (x)	0.19	0.18	0.14	0.13	0.14
Receivables turnover (x)	16.55	14.52	13.03	12.78	8.53
Payable turnover (x)	0.43	0.52	0.52	0.50	0.46
Financial strength					
Debt/equity (%)	89.9	97.7	111.0	126.5	123.8
Net debt/equity (%)	43.8	56.2	65.0	84.4	83.4
Interest coverage (x)	7.9	32.8	35.9	42.6	7.4
Inter & ST debt cover (x)	2.7	5.6	4.8	5.5	3.2
Current ratio (x)	1.3	2.1	2.3	2.9	2.8
Quick ratio (x)	0.7	1.0	1.1	0.7	0.8
Net debt/EBITDA (x)	2.4	3.1	4.4	5.5	5.2

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

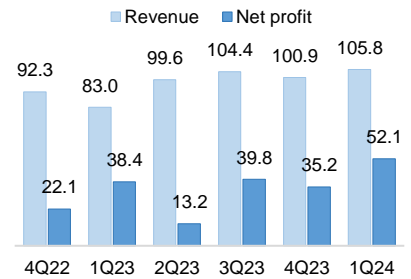
Average Water Tariff (KHR)



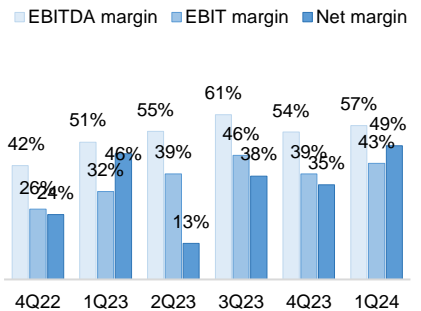
Water Demand (million m³)



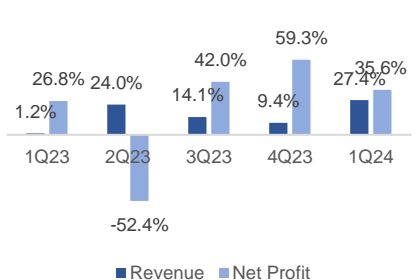
Annual Revenue and Net Profit (KHR'bn)



Annual Profit Margin



Yearly Profit Growth (YoY)



Investment Risk Analysis

The investment risk associated with PPWSA is a crucial factor to consider for potential investors. Here's an analysis of the key investment risks:

Investment Risk	Description	Impact	Assessment
Stock's Market Liquidity Risk	Market liquidity risk refers to the potential difficulty of buying or selling an asset without significantly affecting its market price due to the lack of active buyers or sellers in the market to facilitate transactions smoothly.	Market liquidity risk can lead to a higher trading cost as a result of an increase in price volatility, widening bid-ask spreads, and price manipulation. Most importantly, holding an illiquid stock can increase the overall risk of a portfolio as investors may struggle to liquidate their positions, potentially amplifying losses.	MODERATE - The trading value per day for PPWSA is experiencing a decreasing trend YoY from KHR 50.93mn per day in 2020 down to KHR 25.4mn per day in 2023. In comparison, ACLEDA Bank (ABC) has an average daily trading value of KHR 606.1mn in 2022. The lack of market liquidity may make investors sell their stocks at a discounted price, potentially amplifying losses.
Macro-economic risk	Macro-economic refers to the potential adverse impact of broader economic factors and trends on the company. These risks stem from factors that influence the overall economy, including fiscal and monetary policies, inflation, economic growth rates, exchange rates, and external factors (such as geopolitical events, global economic uncertainty, etc.).	Macro-economic risks as mentioned on the left can impact on the company's overall business performance. For example, higher interest rates can cause the company to decrease investments in infrastructure or expansion plans.	MODERATE - PPWSA has been quite resilient to macro-economic risks due to its monopoly over water supply system that covers the greater Phnom Penh area. However, the robust growth of PPWSA in recent years has been driven mainly by the increase in industrial and commercial clients as Cambodia's economy transitions into industrialization. Therefore, macro-economic shocks could affect the business activities of these clients, which could adversely affect the water demand and the business performance of PPWSA.
Exchange rate Risk	Exchange rate risk, also known as currency risk, refers to the potential impact of fluctuations in exchange rates on a company's financial performance, particularly for business engaged in international trade, with foreign operations, or transact with two currencies.	Fluctuations in interest rates can affect the company's profitability. For example, if the currency of KHR depreciates relative to the dollar, the company would have to use "more" KHR to pay off dollar-denominated debts to overseas lenders.	HIGH - PWSA's exchange rate risk is inherently high as water tariffs are quoted in KHR and so its revenue is denominated in KHR while the currencies of its liabilities are denominated in USD, EUR, JYP, etc. The depreciation of KHR relative to the dollar or other currencies could potentially lead to significant realized forex loss for the company.

Source: YSC Research

Environmental, Social, and Governance (ESG) Analysis

Environmental Factors

PPWSA has fully complied with environmental protection laws laid out in accordance with the policy and laws of the Royal Government, in particular the Ministry of Environment (MOE). For example, initiatives to expand production systems and primary transmission networks commence with the preparation of an E&S report, which will then be submitted to the MOE for approval. Following approval and project initiation, PPWSA must conduct bi-annual site visits to assess the side effects, if any, to the surrounding environment and report its findings to the MOE. Based on 4Q23 filing report, the NRW (water that was pumped but unaccounted for, or leakage) rate, rose moderately to 10.36%. However, the increase was caused by PPWSA's plan to wash water pipes of Ba Kheng water treatment plant. In other words, it was a one-off event. Nevertheless, the company has been very efficient in maintaining its water supply despite exponential increase in road repair and widening activities throughout the city.

Key KPIs	2019	2020	2021	2022	2023
Non-Revenue Water (NRW) Rate	8.90%	9.74%	9.70%	8.50%	10.36%
<i>%pt YoY change</i>		0.84%pt	-0.04%pt	-1.20%pt	1.86%pt

Source: The Company, YSC Research

Social Factors

In line with the Government's Poverty Reduction Policy, PPWSA has been actively involved in providing clean water to economically disadvantaged residents in both urban and suburban areas of Phnom Penh since 1999 through its "Clean Water for the Poor" initiative. To facilitate access to clean water for low-income households, PPWS has introduced three different installment payment plans: spanning 10, 15 and 20 months, allowing residents to choose the option that best suits their financial situation. Furthermore, there is a 20% discount on connection fees for impoverished individuals residing in urban communities. PPWSA has implemented a subsidy program for low-income families since May 2005. This program offers varying levels of financial assistance, from 30% and up to 100% of the total connection fees, depending on the extent of the applicant's poverty – In 2023, PPWSA provided subsidies for 2,239 connections.

Key KPIs	2019	2020	2021	2022	2023
Low-income household connections	1,390	820	1,162	1,447	2,239
<i>% YoY change</i>		-41.01%	41.71%	24.53%	54.73%

Source: The Company, YSC Research

In addition, PPWSA also adopts tiered pricing structure for water tariff, charging lower tariff for smaller amount of water consumed, and higher tariff for higher amount of water consumed. The tier pricing allows PPWSA to achieve two goals: (1) supply affordable clean water to low-income households, those who are expected to consumed small quantity, and (2) incentivize water conservation and encourage sustainable water use by charging higher tariff for the bigger consumption.

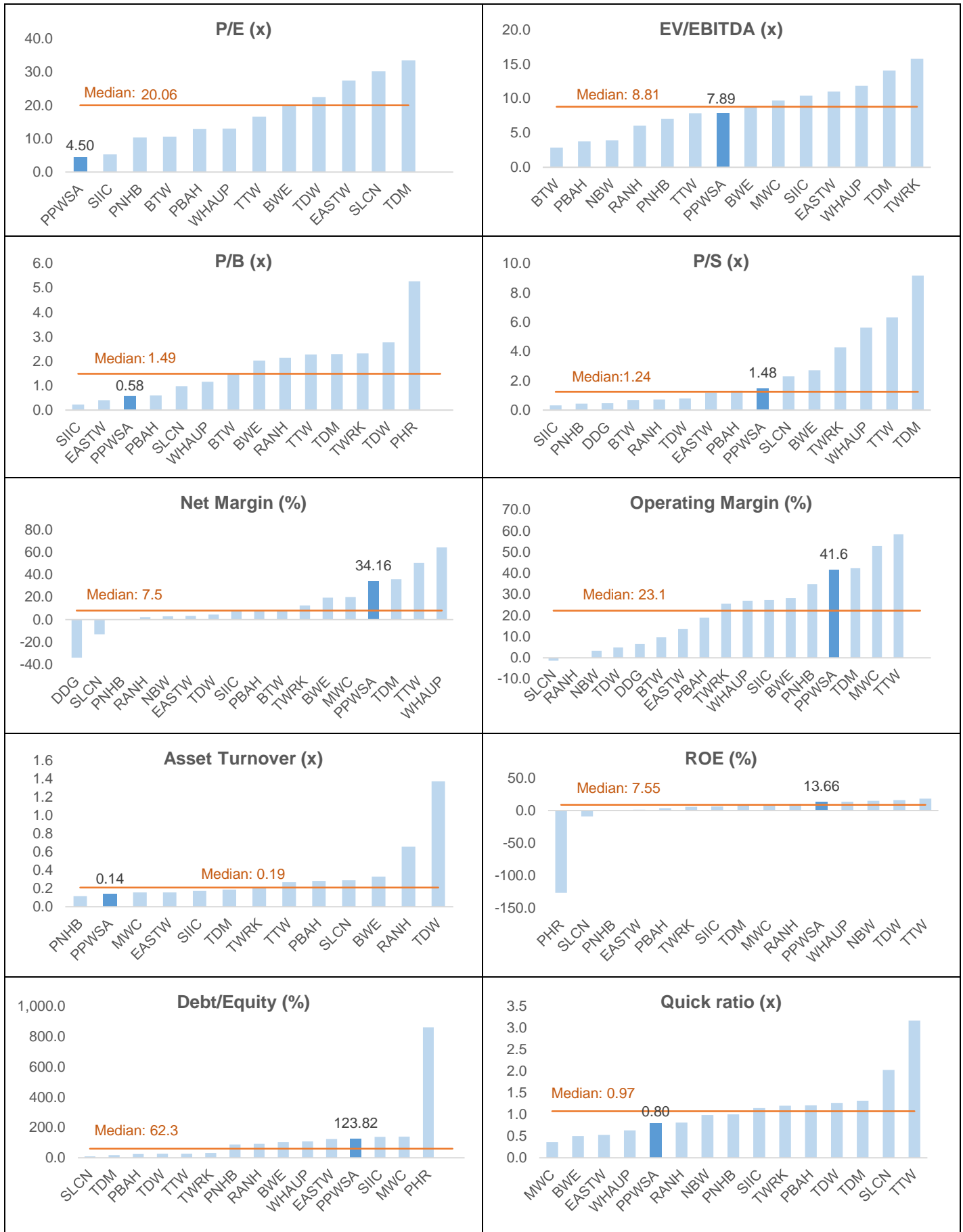
Governance Factors

PPWSA upholds robust governance practices, ensuring transparency and adherence to its stringent Code of Business Conduct. The company's strong anti-corruption policy ensures equal treatment of all customers, irrespective of background. Procurement processes are transparent, with goods/services sourced through open bids to secure the best value. Additionally, senior officers declare their assets every two years, reinforcing accountability. PPWSA prioritizes professional development, offering a range of training programs both locally and internationally, covering diverse subjects from language skills to technical expertise. However, a notable concern is the underrepresentation of female senior officers in the management team, with only four out of twenty-five senior staff members being female.

Risks and Opportunities

PPWSA demonstrates commendable compliance with environmental protection laws and regulations, exemplified by its rigorous environmental impact assessment procedures and bi-annual site visits to evaluate environmental effects. Despite a moderate increase in non-revenue water (NRW) rates attributed to a one-off event, PPWSA maintains efficient water supply management amidst city infrastructure developments. However, the underrepresentation of female senior officers raises concerns about diversity and inclusion within the company's governance framework. PPWSA's initiatives to provide clean water to economically disadvantaged residents, including installment payment plans and subsidy programs, offer promising opportunities for positive social and environmental impact. The adoption of tiered pricing structure allows PPWSA to achieve both the social and environmental objectives. By addressing gender disparities in leadership roles and expanding outreach efforts, PPWSA can enhance governance effectiveness, promote social equity, and contribute to long-term sustainability goals.

ASEAN Peers Comparison



Note: All figures are trailing-twelve-month figures obtained from S&P Capital IQ; Share price as of June 25, 2024; PPWSA's price data is as of Jun 25, 2024
 Source: S&P Capital IQ, YSC Research

Peer Companies Information

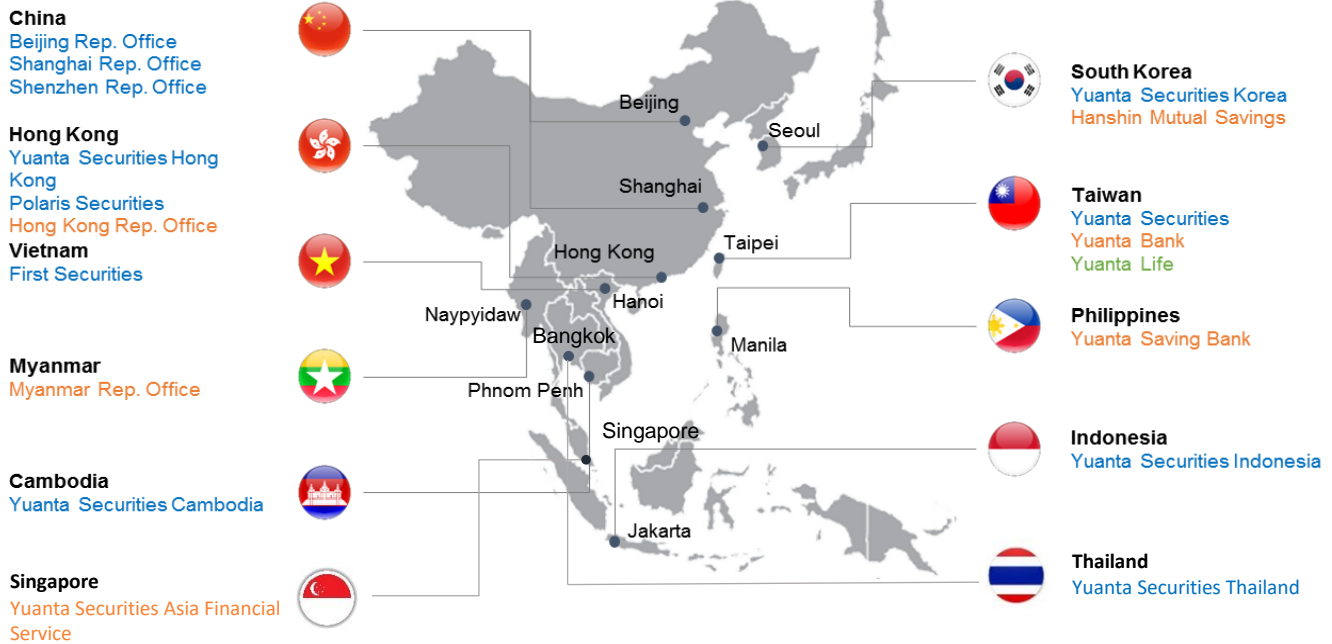
No	Stock Symbol	Company Name	Stock Exchange	Country
1	BTW	Ben Thanh Water Supply Joint Stock Company	HNX	Vietnam
2	BWE	Binh Duong Water - Environment Joint Stock Company	HOSE	Vietnam
3	CLW	Cholon Water Supply Joint Stock Company	HOSE	Vietnam
4	DDG	Indochine Import Export Industrial Investment Joint Stock 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					Statement of financial position				
FY to Dec (KHR'bn)	2021	2022	2023	1Q24	FY to Dec (KHR'bn)	2021	2022	2023	1Q24
Revenues	366.9	346.2	387.9	105.8	Non-current assets	1,906.4	2,215.1	2,505.4	2,579.2
COGS	-78.0	-76.9	-84.4	-23.4	Fixed assets	1,893.9	2,203.0	2,495.0	2,569.2
Gross profit	288.9	269.2	303.6	82.3	Intangible assets	12.5	12.1	10.5	10.0
Operating expenses	-78.9	-81.4	-95.4	-23.4	Other non-current assets	0.0	0.0	0.0	0.0
Net gain/loss from forex	2.3	1.1	4.11	1.1	Current assets	400.4	469.0	653.6	648.3
EBITDA	212.3	188.9	212.2	60.0	Inventories	143.7	152.7	318.7	288.6
Depreciation & Amortization	-55.2	-59.5	-62.0	-14.8	Trade receivables	24.9	28.3	28.0	47.9
EBIT	157.1	129.5	150.3	45.2	Cash & cash equivalent	89.7	61.2	16.1	14.9
Interest income	13.6	4.7	6.74	19.4	Short-term investment	68.2	126.1	127.3	122.0
Interest expense	-4.8	-3.6	-3.53	-1.8	Other current assets	74.0	100.7	163.5	174.8
PBT	165.9	130.5	153.5	62.8	Total assets	2,306.8	2,684.1	3,159.1	3,227.5
Income tax expense	-36.6	-22.3	-26.9	-10.7	Non-current liabilities	948.9	1,209.6	1,535.9	1,553.0
Net profit of the period	129.3	108.2	126.6	52.1	Long-term debts	790.4	986.5	1,296.9	1,309.0
Actuarial loss/gain on retirement benefit	0.0	0.0	0.0	0.0	Refundable water deposits	69.4	76.8	82.9	84.6
Comprehensive income	129.3	108.2	126.6	52.1	Other non-current liabilities	89.1	146.3	156.1	159.4
					Current liabilities	191.3	202.4	228.6	232.5
					Short-term debts	23.1	23.5	23.7	30.7
					Trade & other payables	142.0	154.7	179.9	188.7
					Other current liabilities	26.2	24.2	25.0	13.1
					Total liabilities	1,140.2	1,411.9	1,764.5	1,785.5
					Shareholders' equity	1,166.6	1,272.2	1,394.5	1,442.0
					Share capital	619.3	620.8	620.8	620.8
					Capital reserves	418.0	543.3	647.1	769.2
					Retained earnings	129.3	108.2	126.6	52.1
					Total liabilities & equity	2,306.8	2,684.1	3,159.1	3,227.5
					Net debt	723.8	948.8	1,304.5	1,324.8
					Total debt	813.5	1,010.0	1,320.6	1,339.7

Source: The Company, YSC Research

Yuanta Securities Network



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