

PPWSA (KH100010004 CSX)

May 29, 2019

Performance Highlights

FY ends Dec (KHR'bn)	2018	% YoY	4Q18	% QoQ	% YoY
Revenue	265.09	13.8%	91.25	57.2%	41.9%
EBITDA	137.94	18.4%	62.86	139.9%	75.3%
EBIT	94.87	19.4%	50.89	261.0%	90.7%
Net finance expense/income	0.64	NA	5.56	NA	NA
PBT	95.51	80.8%	56.45	462.3%	137.8%
Net profit	76.50	112.9%	45.59	532.6%	332.5%
EBITDA margin	52.0%	2.0%pt	68.9%	23.7%pt	13.1%pt
EBIT margin	35.8%	1.7%pt	55.8%	31.5%pt	14.3%pt
Net margin	28.9%	13.4%pt	50.0%	37.5%pt	33.6%pt

Source: Company, YSC Research

2018 review: bottom line more than doubles

Water subscription sees the highest growth in over a decade

- The total number of water subscriptions reached 367,032 at the end of 2018, an increase of 10.1% compared to the end of 2017. This is the highest client growth the company has achieved in over a decade. The remarkable annual increase by 33,744 subscribers—of which 30,517 are household clients (+11.2% YoY), and 2,898 are commercial & industrial clients (+5.2% YoY)—could be mainly the result of the company's continued expansion of service coverage area and rising demand for water connections from completed houses of major housing development projects in the capital.

Top line rises 13.8% on solid water sales growth and jump in other income

- Total revenue in 2018 came to KHR265bn, up 13.8% compared to KHR232.9bn in 2017. Water sales grew by KHR12.5bn or 6.5% to KHR205.8bn, accounting for 77.6% of the total revenue. The growth in core water sales can be attributed to the increase in water subscription, and rising water demand with average consumption per subscriber per month increasing from 27.03 cubic meter to 27.19 cubic meter for households, and from 105.13 cubic meter to 106.64 cubic meter for commercial and industrial clients. Meanwhile, income from construction services declined by KHR2.65bn or 24.7% to KHR8.1bn due to the completion of water-pipeline construction projects in Kampot provincial capital.
- Last year was marked by 77% jump in other income to KHR51.2bn from only KHR28.8bn in a year earlier. The breakdown of other income shows that KHR32.9bn were gain on settlement of retirement benefit obligation as the result of the company canceling its retirement benefit scheme. Meanwhile, spare parts and meter sales accounted for KHR13.1bn, an increase by KHR2.1bn from KHR11bn in 2017 likely thanks to the additional water subscriptions.

Operating profit margin expands

- Total operating expense amounted to KHR170bn, an increase of 10.96%, compared total revenue growth 13.8%. As a result, EBITDA and EBIT margin expanded 2.0%pts and 1.7%pts, respectively. EBITDA soared 18.4% to KHR137.9bn, while EBIT surged 19.4% to KHR94.9bn. The breakdown of total operating expenses shows that expense on salaries and wages saw the biggest increase, surging 32.4%. This was followed by depreciation and amortization expenses, rising 15.47%, cost of raw materials for water treatment, 11.06%, and electricity cost, 5.81%.

Bottom line more than doubles

- With net interest income switching sign from negative KHR26.66bn in 2017 to positive KHR637mn, pre-tax profit jumped 80% to KHR95.5bn, while net profit more than doubled to KHR76.5bn. The fluctuation in net interest income/expense was due to the unrealized foreign exchange gain/loss on borrowings.

Water subscriptions

Client	2018	2017	Change	%Change	2018 %total
Household clients	301,834	271,317	30,517	11.2%	82.2%
Commercial & industrial clients	58,789	55,891	2,898	5.2%	16.0%
Houses for rent to garment workers	5,703	5,397	306	5.7%	1.6%
Others	692	683	9	1.3%	0.2%
Total	367,018	333,288	33,730	10.1%	100.0%

Source: The Company

Close KHR 6,120

Source: CSX, YSC Research

Stock info

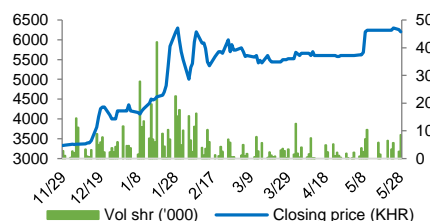
Industry	Utilities (Water)
Market cap (KHR'bn)	539.23
Outstanding shares ('mn)	87
Majority shareholder	Ministry of Economy & Fin (%)
	85
Avg. daily vol. (last 6 months, shr)	5,290
Free floating shares (last 6 months, %)	0.69
Price low/high (last 6 months, KHR)	3,350 ~ 6,300

EPS (KHR)	846
P/E (x)	6.96
P/E* (x, adj. earnings)	7.58
P/B (x)	0.60
P/B** (x)	1.08
EV/EBITDA (x)	5.89
D/E (%)	61.2

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

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

Stock performance

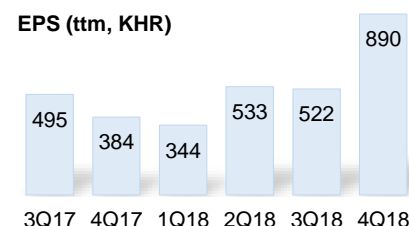


Trading volume and value in 2018

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Jan	44,907	161.7	2,245	8.1
Feb	8,753	32.8	438	1.6
Mar	12,958	49.2	617	2.3
Apr	23,080	88.1	1,282	4.9
May	39,462	145.3	2,321	8.5
Jun	184,669	583.3	9,719	30.7
Jul	70,259	220.5	3,346	10.5
Aug	24,149	78.0	1,050	3.4
Sep	25,492	82.9	1,342	4.4
Oct	46,905	153.3	2,759	9.0
Nov	33,770	113.3	1,876	6.3
Dec	97,917	372.9	4,896	18.6

Source: CSX, YSC Research

Earning strength



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

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

Revenue breakdown (2017, 2018, change, growth, share of total)

KHR'mn	2018	2017	Change	%Change	2018 %total
Water Sales	205,841	193,356	12,485	6.5%	77.6%
Construction Services	8,092	10,742	-2,649	-24.7%	3.1%
Other Incomes	51,160	28,795	22,365	77.7%	19.3%
Total revenue	265,093	232,893	32,200	13.8%	100.0%

Source: The Company

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

KHR'mn	2014	2015	2016	2017	2018
Interest income	23,068	33,210	20,194	6,145	16,814
Interest expense	-11,663	-19,870	-17,072	-32,805	-16,177
Net interest income	11,405	13,341	3,122	-26,660	637

Source: The Company

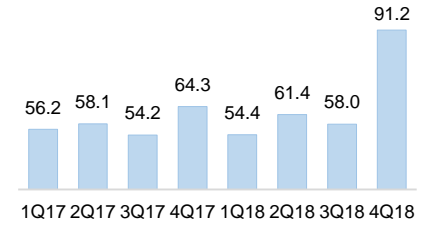
Financial Ratios

FY to Dec	2014	2015	2016	2017	2018
Per-share ratios					
EPS (KHR)	526	655	567	380	846
EPS* (KHR, adj. earnings)	400	483	560	687	807
BPS (KHR)	8,431	8,988	9,405	9,588	10,176
BPS** (KHR, excluding Class A)	3,935	4,491	4,908	5,091	5,679
EBITDA/shr (KHR)	905	1,027	1,075	1,339	1,586
SPS (KHR)	1,800	2,200	2,279	2,678	3,048
DPS (KHR)	106	153	160	154	218
Valuation ratios					
Share price at year end	4,400	5,080	4,100	3,860	4,200
P/E (x)	8.32	8.19	7.07	9.34	4.77
P/E* (x, adj. earnings)	11.00	10.52	7.32	5.62	5.20
P/B (x)	0.52	0.57	0.44	0.40	0.41
P/B** (x, excluding Class A)	1.12	1.13	0.84	0.76	0.74
EV/EBITDA (x)	5.74	5.82	5.12	4.56	4.68
P/S (x)	2.44	2.31	1.80	1.44	1.38
Dividend yields (%)	2.40	3.00	3.90	3.99	5.18
Dividend payout (%)	20.00	23.30	28.24	40.50	25.71
Profitability ratios					
Gross margin (%)	71.38	66.96	68.66	71.04	75.91
EBITDA margin (%)	50.27	46.66	47.16	50.01	52.03
EBIT (%)	28.52	28.56	29.00	34.13	35.79
Net margin (%)	29.39	28.19	25.45	15.43	28.86
ROE (%)	6.43	7.10	6.29	4.33	8.80
ROE** (% , excluding Class A)	14.17	14.62	12.27	8.20	16.00
ROA (%)	4.06	4.48	3.97	2.70	5.44
Efficiency ratios					
Asset turnover (x)	0.14	0.16	0.16	0.18	0.19
Receivables turnover (x)	5.18	5.89	5.72	5.84	8.38
Payable turnover (x)	1.74	2.59	2.05	1.60	0.96
Financial strength					
Debt/equity (%)	58.4	58.2	58.3	62.3	61.2
Net debt/equity (%)	9.3	9.9	14.8	23.2	31.2
Interest coverage (x)	3.8	2.8	3.4	2.4	5.9
Inter & ST debt cover (x)	1.1	1.1	1.1	1.0	1.6
Current ratio (x)	5.4	5.1	3.3	2.0	1.6
Quick ratio (x)	4.5	4.1	2.6	1.4	0.5
Net debt/EBITDA (x)	0.9	0.9	1.3	1.7	2.0

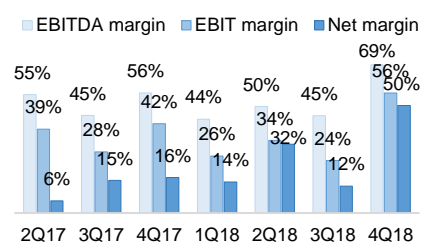
*Based on earnings adjusted for forex gain/loss on borrowings
 **Excluding capital of Class A (non-voting) shares of KHR391bn

Source: The Company, YSC Research

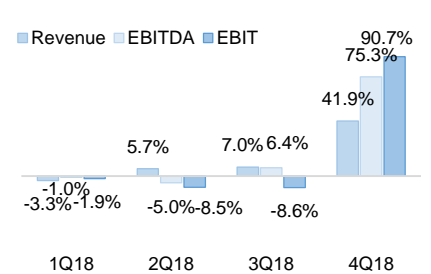
Quarterly revenue (KHR'bn)



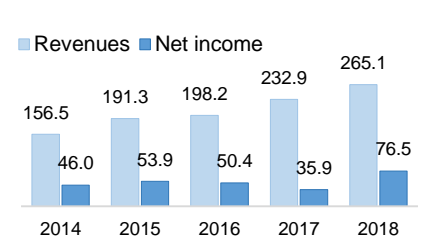
Quarterly profit margin



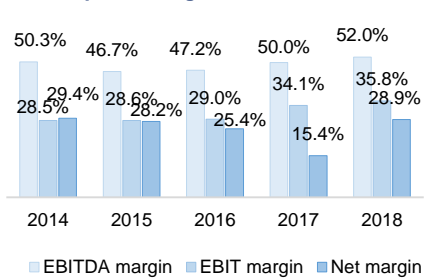
Quarterly revenue and profit growth (YoY)



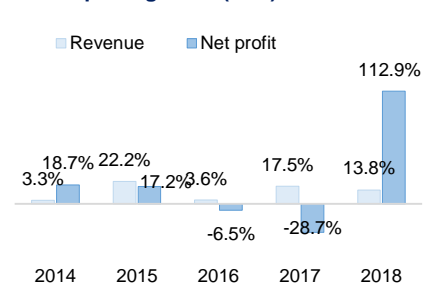
Annual revenue and net profit (KHR'bn)



Annual profit margin



Annual profit growth (YoY)



Condensed Financial Statements

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

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

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

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.