

PPWSA (KH1000010004 CSX)

April 3, 2023

Performance Highlights

FY ends Dec (KHR'bn)	4Q22	% QoQ	% YoY	2022	% YoY
Revenue	92.27	0.8%	1.4%	346.18	-5.6%
EBITDA	42.85	-20.9%	-2.1%	184.34	-13.2%
EBIT	28.01	-28.8%	-3.5%	124.88	-20.5%
Net finance income	-3.46	-27.7%	-35.7%	5.63	-35.7%
PBT	24.54	-29.0%	-25.8%	130.52	-21.3%
Net profit	22.09	-21.1%	0.6%	108.19	-16.3%
EBITDA margin	46.4%	-21.5%pt	-20.9%pt	53.2%	-4.6%pt
EBIT margin	30.4%	-29.4%pt	-28.8%pt	36.1%	-6.7%pt
Net margin	23.9%	-21.7%pt	-21.1%pt	31.3%	-4.0%pt

Source: Company, YSC Research

2022 Review: Bottom line declines despite solid growth of water sales

Commercial and industrial subscriptions see the biggest YoY growth since 2016

- At the end of 2022, there were 451,554 connections, a rise of 4.7% from the end of 2021. Household customers make up 360,948 connections, or 79.9%, of the total subscriptions, while commercial and industrial customers make up 83,874 connections or 18.6%, and the remaining 6,732 connections are subscriptions from governmental organizations, autonomous state authorities, private water distributors, and other sources. Commercial and industrial client counts increased significantly over the previous year by 9,530 connections, or 12.8% YoY, the highest YoY growth rate since 2016. Comparatively, throughout the same period, the number of household clients increased only 3.0% YoY.

Top line decreases on declining other income, but core water sales continue solid growth

- Total revenue declined 5.6% to KHR346bn in 2022 from KHR367bn in 2021. Core water sales rose 6.1% YoY to KHR300bn, representing 87% of total revenue. Core water sales, which account for 87% of total revenue, increased 6.1% YoY to KHR300 billion, driven by a 7.7% increase in total water consumption, and a 0.25% increase in average water tariff. Water sales to commercial and industrial clients saw the biggest growth of 18.1% YoY to almost KHR152bn in 2022, as water consumption from them surged 14.2% from 74 million cubic meters to 84.8 million cubic meters. However, water sales to household clients edged down 1.3% from KHR112bn in 2021 to KHR111bn in 2022 despite consumption from households increasing 3.5% during the period, due to the average water tariff for households dropping 4.6% from KHR1,038 to KHR990 per cubic meter.
- On the other hand, revenue from construction services decreased marginally from KHR26.2 billion to KHR25.0 billion, accounting for 7.2% of total revenue. Other revenues, which include the maintenance fee for water meters, the sale of supplies for water connections, penalty fees, and others, plunged 63.1% YoY to KHR21.5 billion, representing 6.2% of total revenue.

Operating profit margin declined to the lowest since the pandemic

- In 2022, EBITDA plummeted 13.2% YoY to KHR184 billion, and EBITDA margin dropped 4.6%pt YoY to 53.2%. Despite the decrease in total revenue, operating expenses (excluding depreciation & amortization) increased 4.7% to KHR161bn, driven mainly by 10.3% increase in salary, and 34.5% increase in the cost of raw materials. Meanwhile, construction service costs fell 26% due to the decline in the construction service activities.
- Depreciation and amortization expenses increased 7.7% YoY with the addition of new property, plant, and equipment. As a result, EBIT dipped by 20.5% YoY to around KHR125bn in 2022, while EBIT margin narrowed to 36.1%, the lowest level at least since the COVID-19 epidemic in 2020.

Bottom line posted a 16% decline YoY

- Net finance income decreased from KHR8.76bn in 2021 to KHR5.63bn in 2022. The net foreign exchange gain on borrowings came to KHR4.59 billion, down from KHR8.09bn in 2021, leading to the decrease in the net finance income. Consequently, pre-tax earnings fell 21.3% YoY to KHR130bn in 2022, while net profit plummeted 16.3% to KHR108 billion with net margin decreasing by 4.0%pt YoY to 31.3%.
- PPWSA's earnings per share (EPS) fell to KHR1,244 from KHR1,486 in the previous year due to the declining bottom line. Nevertheless, at the closing price of KHR7,780 on April 3, 2023, PPWSA's stock was traded at the P/E 2022 of 6.08x, compared to the ASEAN peer median of 15.45x.

Closing Price	KHR 7,780
IPO Price	KHR 6,300

Source: CSX, YSC Research

Stock info

Industry	Utilities (Water)
Market cap (KHR'bn)	658
Outstanding shares ('mn)	87
Majority shareholder	
Ministry of Economy & Fin (%)	85
Avg. daily vol. (last 6 months, shr)	3,345
Free floating shares (last 6 months, %)	11.12
Price low/high (last 6 months, KHR)	7,280 ~ 8,060
EPS (KHR)	1,244
P/E (x)	6.08
P/E* (x, adj. earnings)	6.29
P/B (x)	0.52
P/B** (x)	0.76
EV/EBITDA (x)	8.03
D/E (%)	111.00

*Based on earnings adjusted for forex gain/loss

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

Stock performance



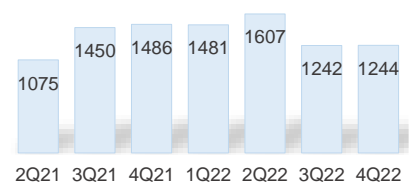
Trading volume/value in last 12 months

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Mar-22	167,990	1292	7,636	59
Apr-22	80,346	604	4,229	32
May-22	210,816	1619	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

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	2022	2021	Change	%Change	2022 % total
Household clients	360,948	350,463	10,485	3.0%	79.9%
Commercial & industrial clients	83,874	74,344	9,530	12.8%	18.6%
Others	6,732	6,578	138	2.1%	1.5%
Total	451,554	431,385	20,153	4.7%	100.0%

Source: The Company

Revenue breakdown

KHR'mn	2022	2021	Change	%Change	2022 % total
Water Sales	299,724	282,370	17,354	6.1%	86.6%
Construction Services	24,976	26,242	-1,266	-4.8%	7.2%
Other Incomes	21,478	58,259	-36,781	-63.1%	6.2%
Total revenue	346,178	366,871	-20,693	-5.6%	100.0%

Source: The Company

Operating expense breakdown

KHR'mn	2022	2021	Change	%Change	2022 % total
Depreciation & Amortization	59,455	55,194	4,261	7.7%	26.9%
Electricity	35,219	35,792	-573	-1.6%	15.9%
Salaries	70,175	63,631	6,544	10.3%	31.7%
Raw materials for water treatment	12,141	9,542	2,599	27.2%	5.5%
Raw materials for water connections	4,953	3,164	1,790	56.6%	2.2%
Repair & maintenance	8,009	7,051	959	13.6%	3.6%
Construction service expenses	16,618	22,448	-5,830	-26.0%	7.5%
Other operating expenses	11,243	15,227	-3,983	-26.2%	5.1%
Net gain/loss from forex	3,481	-2,274	5,755	-253.1%	1.6%
Total operating expense	221,295	209,775	11,520	5.5%	100.0%

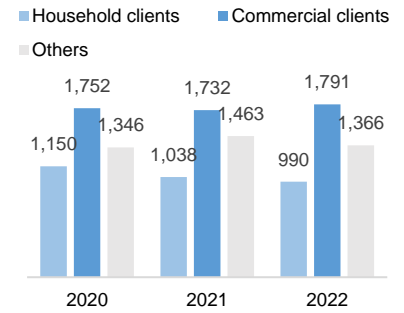
Source: The Company

Financial Ratios

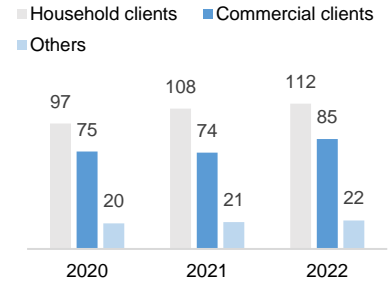
FY to Dec	2018	2019	2020	2021	2022
Per-share ratios					
EPS (KHR)	880	383	1,016	1,486	1,244
EPS* (KHR, adj. earnings)	808	390	1,096	1,412	1,202
BPS (KHR)	10,176	10,351	11,141	13,270	14,489
BPS** (KHR, excluding Class A)	5,679	5,855	6,644	8,773	9,992
EBITDA/sir (KHR)	1,586	1,169	2,069	2,441	2,119
SPS (KHR)	3,048	2,472	3,730	4,218	3,980
DPS (KHR)	218	230	262	310	n/a
Valuation ratios					
Share price at year end	4,200	6,000	6,100	7,160	7,560
P/E (x)	4.77	15.67	6.00	4.82	6.08
P/E* (x, adj. earnings)	5.20	15.38	5.57	5.07	6.29
P/B** (x, excluding Class A)	0.74	1.02	0.92	0.82	0.76
EV/EBITDA (x)	4.68	7.73	5.34	6.02	8.03
P/S (x)	1.38	2.43	1.64	1.70	1.90
Dividend yields (%)	5.18	3.83	4.30	4.33	n/a
Dividend payout (%)	25.71	60.09	25.79	20.86	n/a
Profitability ratios					
Gross margin (%)	75.91	74.21	76.33	78.74	77.77
EBITDA margin (%)	52.03	47.28	55.49	57.87	53.25
EBIT (%)	35.79	24.17	39.95	42.82	36.07
Net margin (%)	28.86	15.48	27.24	35.24	31.25
ROE (%)	8.80	3.67	9.32	12.03	8.87
ROE** (% , excluding Class A)	16.00	6.46	15.87	18.92	13.06
ROA (%)	5.44	2.18	5.09	6.20	4.34
Efficiency ratios					
Asset turnover (x)	0.19	0.14	0.19	0.18	0.14
Receivables turnover (x)	8.38	13.43	16.55	14.52	13.03
Payable turnover (x)	0.96	0.40	0.43	0.52	0.52
Financial strength					
Debt/equity (%)	61.2	75.6	89.9	97.7	111.0
Net debt/equity (%)	31.2	28.9	43.8	56.2	64.7
Interest coverage (x)	5.9	4.5	7.9	32.8	10.3
Inter & ST debt cover (x)	1.6	1.2	2.7	5.6	3.5
Current ratio (x)	1.6	0.9	1.3	2.1	2.3
Quick ratio (x)	0.5	0.4	0.7	1.0	1.1
Net debt/EBITDA (x)	2.0	2.6	2.4	3.1	4.5

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

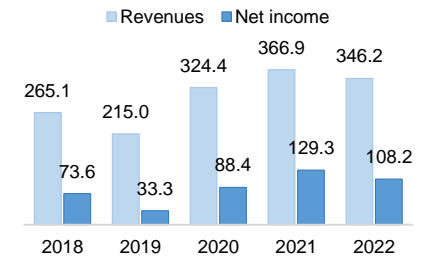
Average water tariff (KHR)



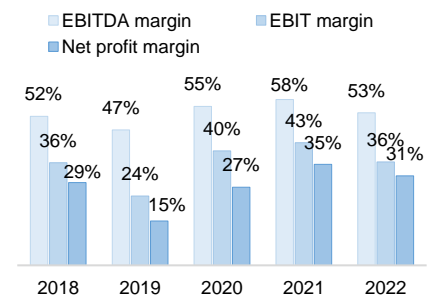
Water demand (million m³)



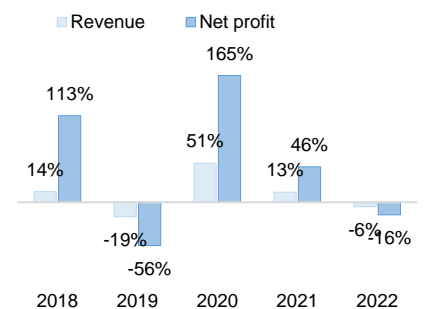
Annual revenue and net profit (KHR'bn)



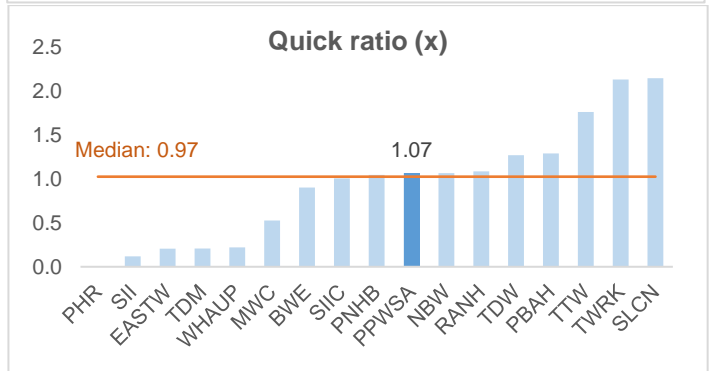
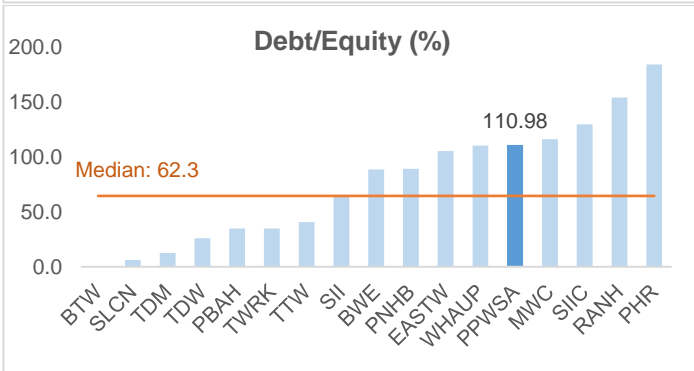
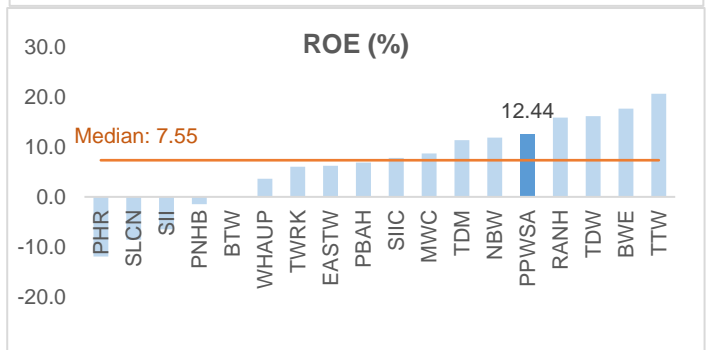
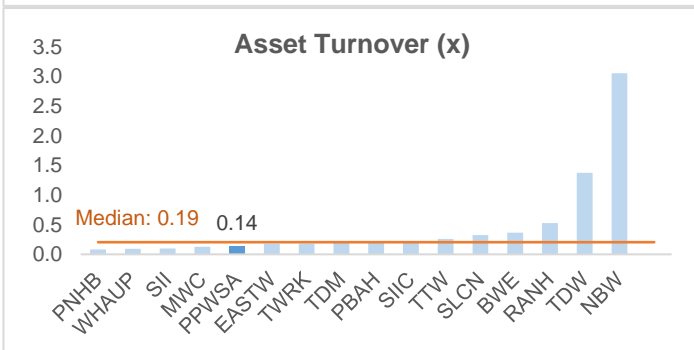
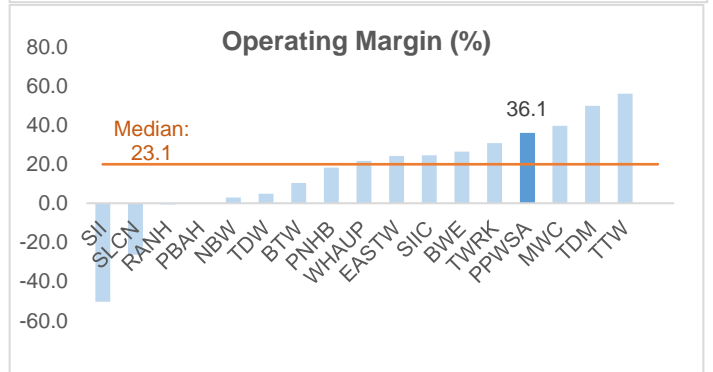
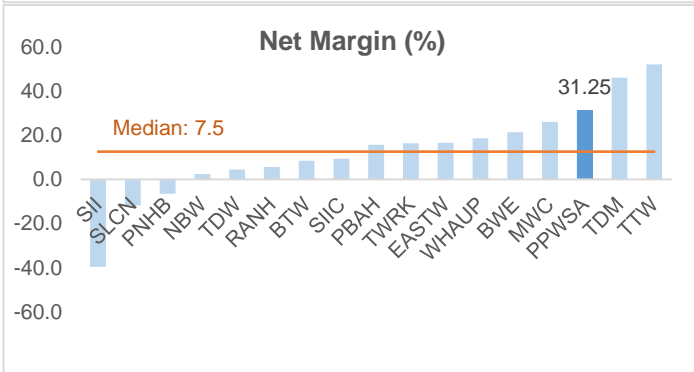
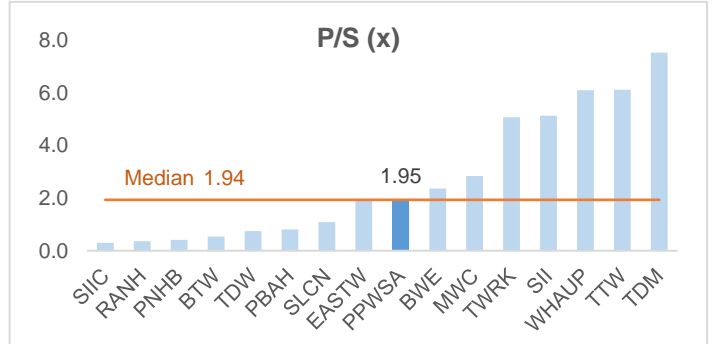
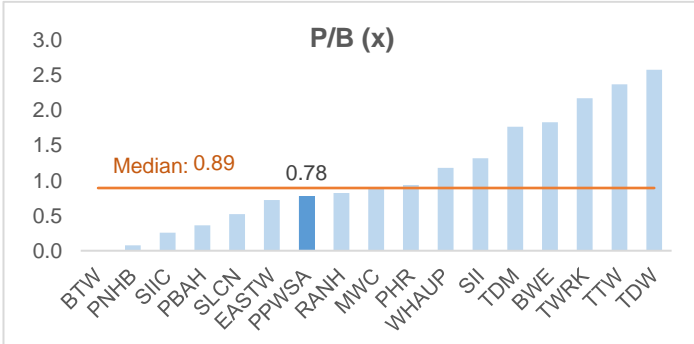
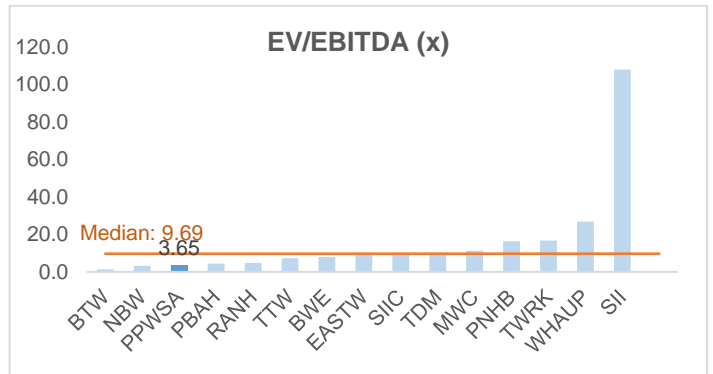
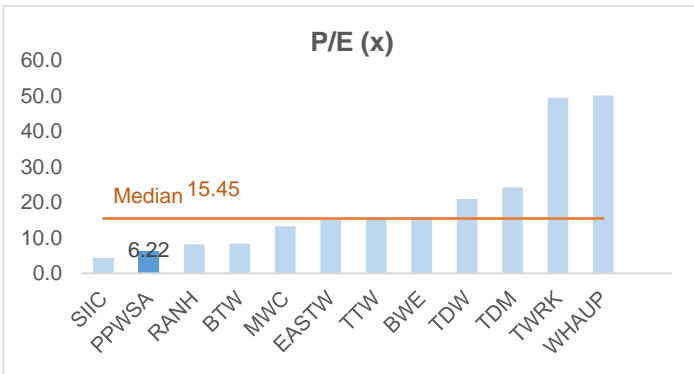
Annual profit margin



Annual profit growth (YoY)



ASEAN Peers Comparison



Note: All figures are trailing-twelve-month figures obtained from Bloomberg; Share price as of Apr 3, 2023; PPWSA's price data is as of Apr 3, 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)	2019	2020	2021	2022
Revenues	215.0	324.4	366.9	346.2
COGS	-55.5	-76.8	-78.0	-76.9
Gross profit	159.6	247.6	288.9	269.2
Operating expenses	-59.4	-64.3	-78.9	-81.4
Net gain/loss from forex	1.5	-3.3	2.3	-3.5
EBITDA	101.7	180.0	212.3	184.3
Depreciation & Amortization	-49.7	-50.4	-55.2	-59.5
EBIT	52.0	129.6	157.1	124.9
Interest income	8.8	7.6	13.6	17.7
Interest expense	-11.5	-16.5	-4.8	-12.1
PBT	49.3	120.7	165.9	130.5
Income tax expense	-16.0	-32.4	-36.6	-22.3
Net profit of the period	33.3	88.4	129.3	108.2
Actuarial loss/gain on retirement benefit	0.0	0.0	0.0	0.0
Comprehensive income	33.3	88.4	129.3	108.2

Statement of cash flow				
FY to Dec (KHRbn)	2019	2020	2021	2022
Operating cash flow	224.7	68.8	69.3	72.2
Net profit	33.3	88.4	129.3	108.2
Depreciation & amortization	49.7	50.4	55.2	59.5
Change in working capital	99.6	-75.8	-61.5	-75.6
Others	42.1	5.9	-53.7	-19.8
Investing cash flow	-186.0	-199.3	-342.9	-288.1
Net CAPEX	-200.1	-195.9	-289.7	-281.6
ST investment	15.7	-0.5	-49.7	-58.0
Others	-1.6	-2.9	-3.4	51.5
Financing cash flow	3.1	175.1	263.5	187.4
Net change in share capital	0.0	0.0	78.1	1.4
Net change in debt	10.7	202.2	274.6	197.5
Cash dividend	-2.8	-26.0	-3.4	-4.0
Others	-4.7	-1.2	-85.7	-7.5
Net change in cash & equivalent	41.9	44.5	-10.1	-28.5
Beginning cash & equivalent	13.4	55.2	99.7	89.7
Ending cash & equivalent	55.2	99.7	89.7	61.2

Statement of financial position				
FY to Dec (KHRbn)	2019	2020	2021	2022
Non-current assets	1,387.4	1,586.7	1,906.4	2,215.1
Fixed assets	1,374.0	1,573.6	1,893.9	2,203.0
Intangible assets	13.4	13.1	12.5	12.1
Other non-current assets	0.0	0.0	0.0	0.0
Current assets	216.9	277.9	400.4	469.0
Inventories	103.8	78.6	143.7	152.7
Trade receivables	13.6	25.6	24.9	28.3
Cash & cash equivalent	55.2	99.7	89.7	61.2
Short-term investment	17.9	18.4	68.2	126.1
Other current assets	26.5	55.5	74.0	100.7
Total assets	1,604.3	1,864.6	2,306.8	2,684.1
Non-current liabilities	449.8	663.8	948.9	1,209.6
Long-term debts	303.9	517.3	790.4	986.5
Refundable water deposits	65.4	65.2	69.4	76.8
Other non-current liabilities	80.5	81.3	89.1	146.3
Current liabilities	240.8	218.8	191.3	202.4
Short-term debts	33.1	30.8	23.1	23.5
Trade & other payables	196.7	156.6	142.0	154.7
Other current liabilities	11.0	31.3	26.2	24.2
Total liabilities	690.6	882.6	1,140.2	1,411.9
Shareholders' equity	913.7	982.1	1,166.6	1,272.2
Share capital	541.2	541.2	619.3	620.8
Capital reserves	339.2	352.5	418.0	543.3
Retained earnings	33.3	88.4	129.3	108.2
Total liabilities & equity	1,604.3	1,864.6	2,306.8	2,684.1
Net debt	281.9	448.4	723.8	948.8
Total debt	337.1	548.1	813.5	1,010.0

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