

PPWSA (KH1000010004 CSX)

November 21, 2019

Performance Highlights

FY ends Dec (KHR'bn)	3Q19	% QoQ	% YoY	9M19	% YoY
Revenue	62.07	8.4%	7.0%	174.59	0.4%
EBITDA	34.70	12.3%	32.5%	94.76	17.9%
EBIT	22.19	19.8%	57.4%	57.64	17.0%
Net finance expense/income	4.88	N/A	N/A	-1.27	N/A
PBT	27.07	137.7%	169.7%	56.37	27.2%
Net profit	21.67	134.8%	200.6%	39.32	13.4%
EBITDA margin	55.9%	1.9%pt	10.8%pt	54.3%	8.1%pt
EBIT margin	35.8%	3.4%pt	11.5%pt	33.0%	4.7%pt
Net margin	34.9%	18.8%pt	22.5%pt	22.5%	2.6%pt

Source: Company, YSC Research

3Q19 review: Operating profit surges 57% YoY in 3Q19, 17% YoY in first nine months

Water subscriptions increase by 6,391 in 3Q19

- Total number of water subscriptions has maintained a steady growth, increasing by 6,391 in 3Q19 to 386,661 at the end of September. Subscription by commercial and industrial clients saw the highest quarterly increase in the last five quarters, rising by 1,000 to 60,804 (15.7% of total). Subscriptions by households reached 319,372 (82.6% of total), or 5,395 more compared to the end of 3Q18. Other type of subscribers—including public institutions & autonomous state authorities, houses for rent, and private distributors—were down by 4 to 6,485 (1.7% of total).
- During the first nine months of 2019, PPWSA provided 19,643 (5.4% YTD) more water connections compared to the end of last year.

Top line rises 7.0% YoY to KHR62bn

- Total revenue in 3Q19 rose 7.0% YoY to KHR62.07bn, of which KHR55.76bn were from water sales, KHR1.86bn from construction services, and KHR4.45bn from other incomes. Water sales increased 4.0% YoY, driven mainly by water sales to households, which rose 11.82% YoY as there were 22,130 additional household subscriptions compared to 3Q18. However, water sales to industrial and commercial clients were up only 0.89%, a slight YoY growth despite 2,686 additional subscriptions due to a decrease in average water consumption per month. On the other hand, income from construction services jumped 87.5% compared to 3Q18, while other income (grants, spare parts & meter sales, penalty and others) surged 30.0% YoY.
- PPWSA earned KHR174.59bn in total revenue from January to September, up 0.4% YoY. While water sales rose 4.5% YoY, contributing significantly to the top-line growth, income from construction services and other income dropped 56.5% and 14.6% YoY, respectively.

Operating profit surges 57% YoY

- Although total revenue saw a single-digit growth, EBITDA rose 32.5% YoY, while EBIT surged 57.4% YoY. The remarkable operating profit growth was brought about by a KHR4.06bn or 9.2% YoY decrease in total operating expenses, led mainly by a significant change in net forex gain/loss, a 54.7% decline in other operating expenses, a 29.4% drop in expense on repair and maintenance, and a 25.8% fall in expense on raw materials for household connections.
- The nine-month EBITDA and EBIT reached their respective record high of KHR94.76bn (+17.9% YoY) and KHR57.64bn (+17.0% YoY).

Net profit triples on forex gain on borrowing

- PPWSA's net profit tripled to KHR21.67bn in 3Q19 from KHR7.21bn in 3Q18. The impressive net profit increase achieved in 3Q19 can be attributed mainly to net interest income switching sign from a negative KHR4.06bn in 3Q18 to a positive KHR 4.88bn in 3Q19, as the result of the unrealized net foreign exchange gain/loss on borrowings.

Water subscriptions

Client	3Q19	2018	Change	%Change	3Q19 % total
Household clients	319,372	301,834	17,538	5.8%	82.6%
Commercial & industrial clients	60,804	58,789	2,015	3.4%	15.7%
Others	6,485	6,395	90	1.4%	1.7%
Total	386,661	367,018	19,643	5.4%	100.0%

Source: The Company

Last Close KHR 5,920

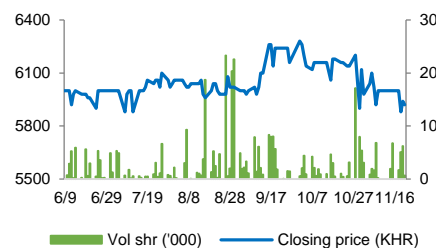
Source: CSX, YSC Research

Stock info

Industry	Utilities (Water)
Market cap (KHR'bn)	514.88
Outstanding shares ('mn)	87
Majority shareholder	Ministry of Economy & Fin (%) 85
Avg. daily vol. (last 6 months, shr)	3,233
Free floating shares (last 6 months, %)	0.45
Price low/high (last 6 months, KHR)	5,880 – 6,300
EPS (KHR)	933
P/E (x)	6.35
P/B (x)	0.57
P/B* (x)	1.00
EV/EBITDA (x)	5.29
D/E (%)	63.25

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

Stock performance

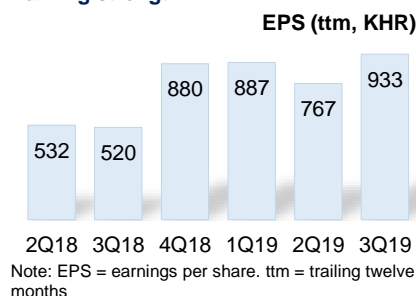


Trading volume & value in last 1 year

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
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	55.8
Feb-2019	109,296	616.2	5,752	32.4
Mar-2019	42,681	236.7	2,134	11.8
Apr-2019	48,436	270.4	2,549	14.2
May-2019	62,755	381.6	3,691	22.4
Jun-2019	45,437	272.4	2,391	14.3
Jul-2019	34,790	208.4	1,513	9.1
Aug-2019	122,773	737.9	5,581	33.5
Sep-2019	66,593	406.7	3,700	22.6
Oct-2019	62,402	382.5	3,120	19.1

Source: CSX, YSC Research

Earning strength



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

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Revenue breakdown (3Q19, 3Q18, change, growth, share of total)

KHR'mn	3Q19	3Q18	Change	%Change	3Q19 % total
Water Sales	55,762	53,620	2,142	4.0%	89.8%
Construction Services	1,858	991	867	87.5%	3.0%
Other Incomes	4,453	3,424	1,028	30.0%	7.2%
Total revenue	62,073	58,035	4,038	7.0%	100.0%

Source: The Company

Revenue breakdown (9M19, 9M18, change, growth, share of total)

KHR'mn	9M19	9M18	Change	%Change	9M19 % total
Water Sales	159,811	152,913	6,898	4.5%	91.5%
Construction Services	3,218	7,402	-4,184	-56.5%	1.8%
Other Incomes	11,557	13,533	-1,976	-14.6%	6.6%
Total revenue	174,586	173,847	739	0.4%	100.0%

Source: The Company

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

KHR'mn	3Q18	4Q18	1Q19	2Q19	3Q19
Interest income	349	7,520	2,854	84	4,434
Interest expense	-4,408	-1,960	-1,877	-7,216	447
Net interest income	-4,059	5,560	977	-7,132	4,881

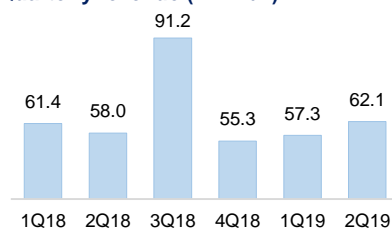
Source: The Company

Financial Ratios

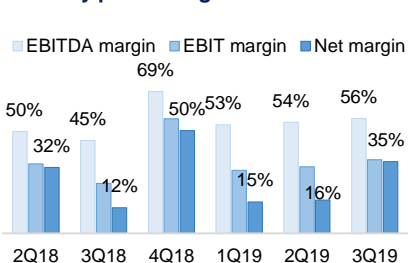
FY to Dec	2015	2016	2017	2018	3Q19 (ttm)
Per-share ratios					
EPS (KHR)	620	580	413	880	933
EPS* (KHR, adj. earnings)	478	583	614	808	967
BPS (KHR)	8,988	9,405	9,588	10,176	10,415
BPS** (KHR, excluding Class A)	4,491	4,908	5,091	5,679	5,918
EBITDA/shr (KHR)	1,027	1,075	1,339	1,586	1,752
SPS (KHR)	2,200	2,279	2,678	3,048	3,056
DPS (KHR)	153	160	154	218	-
Valuation ratios					
Share price at end of period	5,080	4,100	3,860	4,200	5,920
P/E (x)	8.19	7.07	9.34	4.77	6.35
P/E* (x, adj. earnings)	10.64	7.04	6.28	5.20	6.12
P/B (x)	0.57	0.44	0.40	0.41	0.57
P/B** (x, excluding Class A)	1.13	0.84	0.76	0.74	1.00
EV/EBITDA (x)	5.82	5.12	4.56	4.68	5.29
P/S (x)	2.31	1.80	1.44	1.38	1.94
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	79.40
EBITDA margin (%)	46.66	47.16	50.01	52.03	57.31
EBIT (%)	28.56	29.00	34.13	35.79	38.84
Net margin (%)	28.19	25.45	15.43	28.86	30.52
ROE (%)	7.10	6.29	4.33	8.80	8.93
ROE** (% , excluding Class A)	14.62	12.27	8.20	16.00	15.67
ROA (%)	4.48	3.97	2.70	5.44	5.42
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	5.66
Payable turnover (x)	2.59	2.05	1.60	0.96	0.74
Financial strength					
Debt/equity (%)	58.2	58.3	62.3	61.2	63.3
Net debt/equity (%)	9.9	14.8	23.2	31.2	31.7
Interest coverage (x)	2.8	3.4	2.4	5.9	9.7
Inter & ST debt cover (x)	1.1	1.1	1.0	1.6	2.4
Current ratio (x)	5.1	3.3	2.0	1.6	1.6
Quick ratio (x)	4.1	2.6	1.4	0.5	0.4
Net debt/EBITDA (x)	0.9	1.3	1.7	2.0	1.9

*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

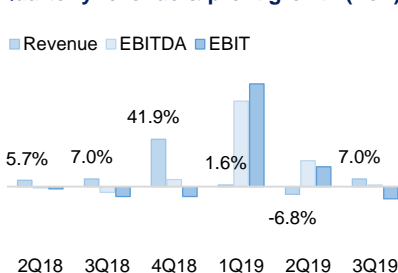
Quarterly revenue (KHR'bn)



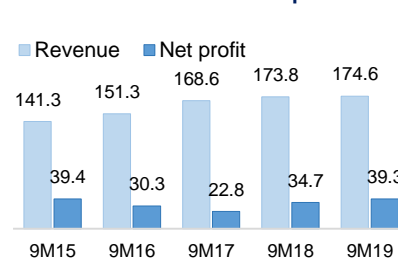
Quarterly profit margin



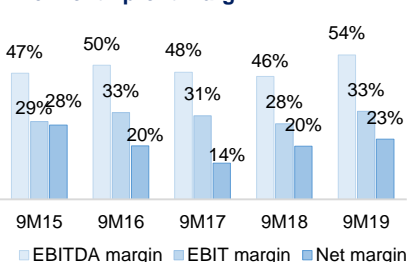
Quarterly revenue & profit growth (YoY)



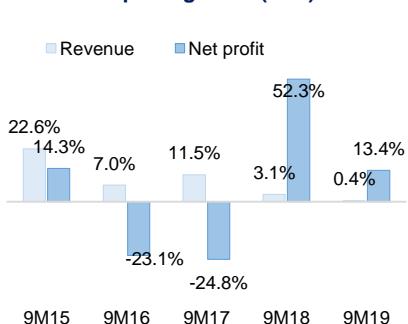
Nine-month revenue and net profit



Nine-month profit margin



Nine-month profit growth (YoY)



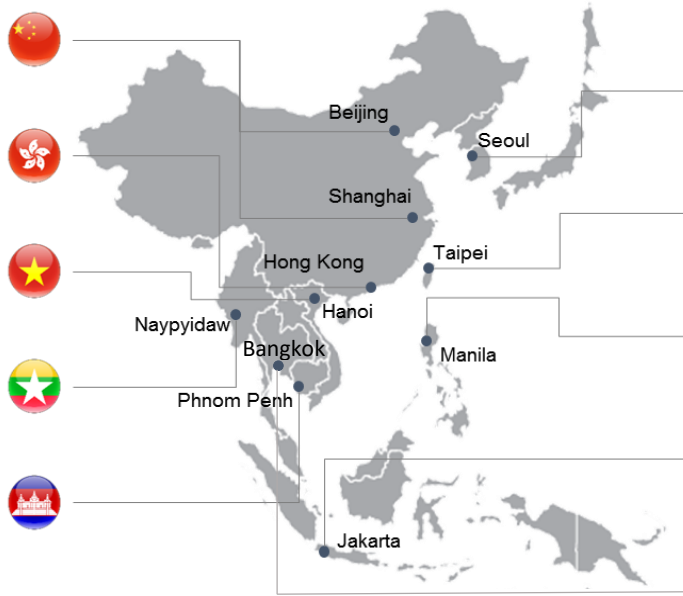
Condensed Financial Statements

Statement of comprehensive income						Statement of financial position					
FY to Dec (KHRbn)	2015	2016	2017	2018	9M19	FY to Dec (KHRbn)	2015	2016	2017	2018	3Q19
Revenues	191.3	198.2	232.9	265.1	174.6	Non-current assets	939.4	1,038.6	1,129.5	1,230.0	1,268.9
COGS	-63.2	-62.1	-67.4	-63.9	-39.8	Fixed assets	936.7	1,036.4	1,124.2	1,215.7	1,255.0
Gross profit	128.1	136.1	165.4	201.2	134.8	Intangible assets	2.3	2.0	5.2	14.3	13.9
Operating expenses	-35.8	-43.5	-48.7	-62.3	-41.7	Other non-current assets	0.4	0.3	0.1	0.0	0.0
Net gain/loss from forex	-3.1	0.9	-0.3	-0.9	1.7	Current assets	300.8	259.1	232.5	219.4	232.6
EBITDA	89.3	93.5	116.5	137.9	94.8	Inventories	53.7	48.4	64.5	97.0	106.8
Depreciation & Amortization	-34.6	-36.0	-37.0	-43.1	-37.1	Trade receivables	34.3	35.0	44.8	18.5	19.0
EBIT	54.6	57.5	79.5	94.9	57.6	Cash & cash equivalent	12.6	16.4	16.0	13.4	17.7
Interest income	33.2	20.2	6.1	16.8	7.4	Short-term investment	194.5	148.3	96.7	33.6	18.0
Interest expense	-19.9	-17.1	-32.8	-16.2	-8.6	Other current assets	5.7	11.0	10.5	56.9	71.1
PBT	68.0	60.6	52.8	95.5	56.4	Total assets	1,240.1	1,297.7	1,362.0	1,449.4	1,501.5
Income tax expense	-14.1	-10.2	-16.9	-19.0	-17.0	Non-current liabilities	396.7	399.5	408.8	411.2	438.4
Net profit of the period	53.9	50.4	35.9	76.5	39.3	Long-term debts	256.4	251.6	258.3	285.6	295.7
Actuarial loss/gain on retirement benefit	3.0	-1.2	-2.9	-2.9	0.0	Refundable water deposits	46.3	54.9	49.7	56.8	63.5
Comprehensive income	56.9	49.3	33.1	73.6	39.3	Other non-current liabilities	94.0	93.0	100.8	68.7	79.2
						Current liabilities	59.5	78.3	114.1	138.9	143.3
						Short-term debts	28.5	34.7	49.4	42.1	31.7
						Trade & other payables	27.3	33.4	51.1	82.3	96.9
						Other current liabilities	3.6	10.2	13.6	14.5	14.8
						Total liabilities	456.2	477.8	522.9	550.1	581.7
						Shareholders' equity	784.0	820.0	839.1	899.3	919.7
						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	39.3
						Total liabilities & equity	1,240.1	1,297.7	1,362.0	1,449.4	1,501.5
						Net debt	272.3	269.9	291.6	314.4	309.7
						Total debt	284.9	286.3	307.6	327.8	327.4

Statement of cash flow					
FY to Dec (KHRbn)	2015	2016	2017	2018	9M19
Operating cash flow	78.7	100.6	83.4	83.1	61.5
Net profit	53.9	50.4	35.9	76.5	56.4
Depreciation & amortization	34.5	36.0	37.0	43.1	37.1
Change in working capital	-10.2	17.8	-25.6	26.7	-23.8
Others	0.5	-3.6	36.1	-63.2	-8.2
Investing cash flow	-81.5	-74.7	-60.1	-98.8	-50.2
Net CAPEX	-91.8	-135.1	-115.4	-161.8	-65.0
ST investment	1.9	46.2	51.6	63.1	15.6
Others	8.5	14.2	3.8	-0.1	-0.8
Financing cash flow	0.3	-22.0	-23.7	13.1	-7.0
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	3.2
Cash dividend	-9.1	-13.3	-13.9	-6.5	-2.8
Others	-10.0	-17.3	-8.7	-8.0	-7.3
Net change in cash & equivalent	-2.4	3.8	-0.4	-2.6	4.3
Beginning cash & equivalent	15.0	12.6	16.4	16.0	0.0
Ending cash & equivalent	12.5	16.4	16.0	13.4	17.7

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