

# PPWSA (KH100010004 CSX)

## Performance Highlights

FY ends Dec (KHR'bn)	3Q22	% QoQ	% YoY	9M22	% YoY
Revenue	91.57	14.0%	-20.3%	253.91	-8.0%
<b>EBITDA</b>	<b>54.21</b>	<b>34.3%</b>	<b>-32.3%</b>	<b>141.49</b>	<b>-16.1%</b>
<b>EBIT</b>	<b>39.36</b>	<b>54.4%</b>	<b>-40.2%</b>	<b>96.88</b>	<b>-24.4%</b>
Net finance income	-4.79	n/a	n/a	9.10	93.2%
PBT	34.57	12.5%	-49.1%	105.98	-20.2%
<b>Net profit</b>	<b>28.01</b>	<b>0.8%</b>	<b>-53.1%</b>	<b>86.10</b>	<b>-19.8%</b>
EBITDA margin	59.2%	8.9%pt	-10.5%pt	55.7%	-5.4%pt
EBIT margin	43.0%	11.2%pt	-14.3%pt	38.2%	-8.3%pt
<b>Net margin</b>	<b>30.6%</b>	<b>-4.0%pt</b>	<b>-21.4%pt</b>	<b>33.9%</b>	<b>-5.0%pt</b>

Source: Company, YSC Research

## 3Q22 review: water sales continue to see solid growth

### Commercial & industrial subscription posts largest YoY growth since 2016

- Water subscription reached 447,679 connections at the end of 3Q22, an increase of 1.2% compared to the end of 2Q22, and 5.2% compared to 3Q21. Of the total subscriptions, household clients account for 358,770 connections, or 80.1%, while commercial and industrial clients account for 82,193 connections or 18.4%, with the other 6,716 connections being subscriptions from government institutions, autonomous state authorities, private water distributors, and others. The number of commercial and industrial clients continued to see robust growth, increasing by 11,601 connections or 16.4% YoY from the end of 3Q21, the largest YoY growth rate since 2016. In comparison, the number of household clients increased only 3.0% over the same period.
- In the first nine months of the year, total water subscription increased by 16,278 connections, of which 8,307 were household clients (+2.4% YTD), and 7,849 were commercial and industrial clients (+10.6% YTD).

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

- Total revenue in 3Q22 came to KHR91.57bn, up 14.0% QoQ, but down 20.3% YoY. The notable YoY decrease was mainly due to the decline in other income from KHR36.86bn in 3Q21 to KHR9.90bn in 3Q22 (the extraordinary jump in other income in 3Q21 was due to the Ministry of Economy and Finance waiving its right to dividend for the 2019-2020 period of KHR36.4bn). Of the total revenue, core water sales accounted for KHR77.00bn, a solid increase of 9.2% YoY. The increase in water sales was mainly driven by rising water consumption from commercial and industrial clients, which soared 17.1% YoY to 21.42 million cubic meters in the third quarter of 2022. Water sales revenue from commercial and industrial clients surged 18.7% YoY to KHR36.87bn. In comparison, water sales revenue from household clients increased slightly by 1.3% YoY to KHR29.79bn.
- Total revenue earned between Jan and Sep of 2022 came to KHR253.91bn, down 8.0% YoY. Core water sales grew 7.0% YoY to KHR220.12bn, accounting for 86.7% of total revenue. Income from construction services fell 30.9% YoY to KHR13.5bn, while other income plummeted 59.9% YoY to KHR20.30bn for the same reason mentioned above.

### Operating profit margin expands 11.2%pt QoQ, but narrows 14.3%pt YoY

- In 3Q22, EBITDA came to KHR54.21bn, up 34.3% QoQ, but down 32.3% YoY. Operating expense (excluding depreciation and amortization) increased 7.4% YoY to KHR37.37bn, driven mainly by 8.7% YoY increase in salaries, 46.0% YoY increase in raw materials for water treatment and household connection. With depreciation and amortization expenses increasing by 3.7% YoY, EBIT plunged by 40.2% YoY to KHR39.36bn. As the result, EBIT margin narrowed 14.3%pt YoY to 43% in 3Q22.
- In the first nine months of the year, PPWSA earned KHR141.49bn (-16.1% YoY) in EBITDA and KHR96.88bn (-24.4% YoY) in EBIT. Total operating expenses increased 6.3% YoY, driven mainly by salaries (+10.7% YoY), raw materials (+39.4% YoY), and depreciation and amortization (+10.3% YoY).

### Net profit comes to KHR28.01bn in 3Q22 and KHR86.10bn in 9M22

- Net interest expense came to KHR4.79bn in 3Q22, compared to a net interest income of KHR2.08bn in 3Q21. As a combination of declining other income and unrealized net forex loss in 3Q22, pre-tax profit and net profit plunged 49.1% and 53.1% YoY, respectively. Net profit amounted to KHR28.01bn in 3Q22 and KHR86.10bn in 9M22, compared to KHR59.74bn in 3Q21 and KHR107.32bn in 9M21.

**Closing Price** **KHR 7,740**

Source: CSX, YSC Research

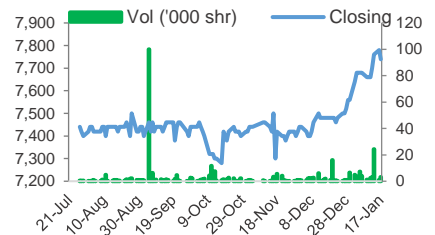
### Stock info

Industry	Utilities (Water)
Market cap (KHR'bn)	673
Outstanding shares ('mn)	21
Majority shareholder	Ministry of Economy & Fin (%)
	80
Avg. daily vol. (last 6 months, shr)	2,696
Free floating shares (last 6 months, %)	8.82
Price low/high (last 6 months, KHR)	7,280 ~ 7,780
EPS (KHR)	1,242
P/E (x)	6.23
P/E* (x, adj. earnings)	6.88
P/B (x)	0.54
P/B** (x)	0.80
EV/EBITDA (x)	7.94
D/E (%)	108.78

\*Based on earnings adjusted for forex gain/loss

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

### Stock performance



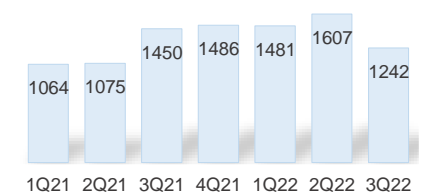
### Trading volume/value in last 12 months

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Dec-21	86,556	606	3,763	26
Jan-22	242,126	1712	12,106	86
Feb-22	216,460	1560	10,823	78
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

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	3Q22	3Q21	Change	%Change	3Q22 % total
Household clients	358,770	348,276	10,494	3.0%	80.1%
Commercial & industrial clients	82,193	70,592	11,601	16.4%	18.4%
Others	6,716	6,621	95	1.4%	1.5%
<b>Total</b>	<b>447,679</b>	<b>425,489</b>	<b>22,190</b>	<b>5.2%</b>	<b>100.0%</b>

Source: The Company

**Revenue breakdown**

KHR'mn	9M22	9M21	Change	%Change	9M22 % total
Water Sales	220,116	205,699	14,417	7.0%	86.7%
Construction Services	13,500	19,533	-6,033	-30.9%	5.3%
Other Incomes	20,296	50,616	-30,320	-59.9%	8.0%
<b>Total revenue</b>	<b>253,912</b>	<b>275,847</b>	<b>-21,936</b>	<b>-8.0%</b>	<b>100.0%</b>

Source: The Company

**Operating expense breakdown**

KHR'mn	9M22	9M21	Change	%Change	9M22 % total
Depreciation & Amortization	44,609	40,455	4,154	10.3%	28.4%
Electricity	26,639	27,296	-657	-2.4%	17.0%
Salaries	51,159	46,217	4,943	10.7%	32.6%
Raw materials for water treatment	8,677	6,834	1,843	27.0%	5.5%
Raw materials for water connections	3,917	2,197	1,720	78.3%	2.5%
Repair & maintenance	4,522	5,133	-611	-11.9%	2.9%
Construction service expenses	8,591	13,295	-4,704	-35.4%	5.5%
Other operating expenses	7,603	6,959	644	9.3%	4.8%
Net gain/loss from forex	1,317	-622	1,939	n/a	0.8%
<b>Total operating expense</b>	<b>157,034</b>	<b>147,764</b>	<b>9,270</b>	<b>6.3%</b>	<b>100.0%</b>

Source: The Company

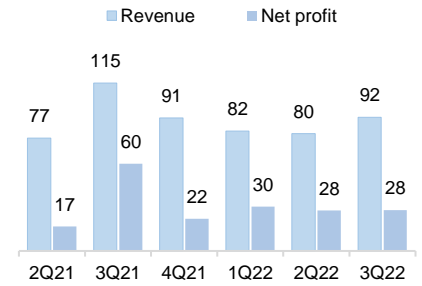
**Key Financial Ratios**

FY to Dec	2018	2019	2020	2021	3Q22 (ttm)
<b>Per-share ratios</b>					
EPS (KHR)	880	383	1,016	1,486	1,242
EPS* (KHR, adj. earnings)	808	390	1,096	1,412	1,125
BPS (KHR)	10,176	10,351	11,141	13,270	14,212
BPS** (KHR, excluding Class A)	5,679	5,855	6,644	8,773	9,715
EBITDA/sir (KHR)	1,586	1,169	2,069	2,441	2,130
SPS (KHR)	3,048	2,472	3,730	4,218	3,966
DPS (KHR)	218	230	262	310	-
<b>Valuation ratios</b>					
Share price at year end	4,200	6,000	6,100	7,160	7,440
P/E (x)	4.77	15.67	6.00	4.82	5.99
P/E* (x, adj. earnings)	5.20	15.38	5.57	5.07	6.62
P/B** (x, excluding Class A)	0.74	1.02	0.92	0.82	0.77
EV/EBITDA (x)	4.68	7.73	5.34	6.02	7.80
P/S (x)	1.38	2.43	1.64	1.70	1.88
Dividend yields (%)	5.18	3.83	4.30	4.33	n/a
Dividend payout (%)	25.71	60.09	25.79	20.86	n/a
<b>Profitability ratios</b>					
Gross margin (%)	75.91	74.21	76.33	78.74	78.09
EBITDA margin (%)	52.03	47.28	55.49	57.87	53.70
EBIT (%)	35.79	24.17	39.95	42.82	36.50
Net margin (%)	28.86	15.48	27.24	35.24	31.32
ROE (%)	8.80	3.67	9.32	12.03	8.75
ROE** (% , excluding Class A)	16.00	6.46	15.87	18.92	12.81
ROA (%)	5.44	2.18	5.09	6.20	4.20
<b>Efficiency ratios</b>					
Asset turnover (x)	0.19	0.14	0.19	0.18	0.14
Receivables turnover (x)	8.38	13.43	16.55	14.52	2.56
Payable turnover (x)	0.96	0.40	0.43	0.52	0.37
<b>Financial strength</b>					
Debt/equity (%)	61.2	75.6	89.9	97.7	108.8
Net debt/equity (%)	31.2	28.9	43.8	56.2	63.9
Interest coverage (x)	5.9	4.5	7.9	32.8	7.5
Inter & ST debt cover (x)	1.6	1.2	2.7	5.6	3.2
Current ratio (x)	1.6	0.9	1.3	2.1	2.0
Quick ratio (x)	0.5	0.4	0.7	1.0	1.0
Net debt/EBITDA (x)	2.0	2.6	2.4	3.1	4.3

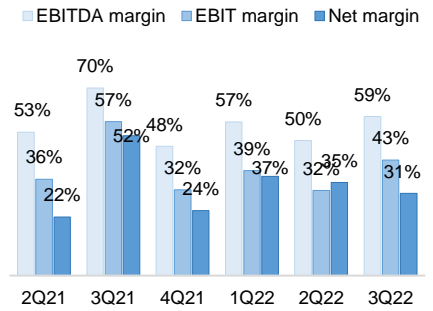
Note: \*Based on earnings adjusted for forex gain/loss on borrowings; \*\*Excluding Class A (non-voting) shares

Source: The Company, YSC Research

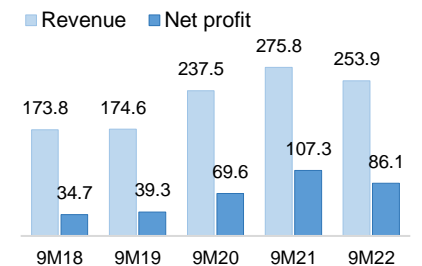
**Quarterly revenue & net profit (KHR'bn)**



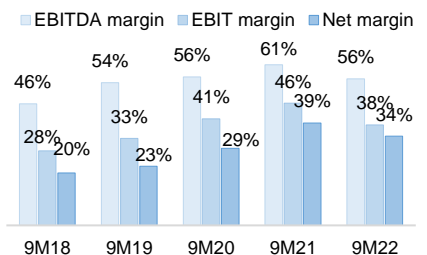
**Quarterly profit margin**



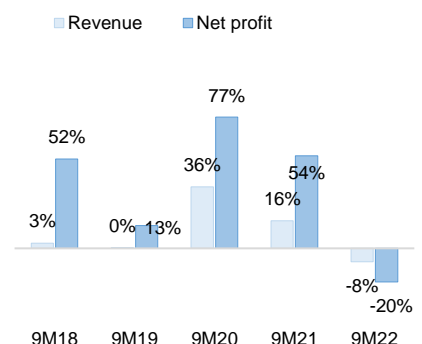
**Nine-month revenue and net profit (KHR'bn)**



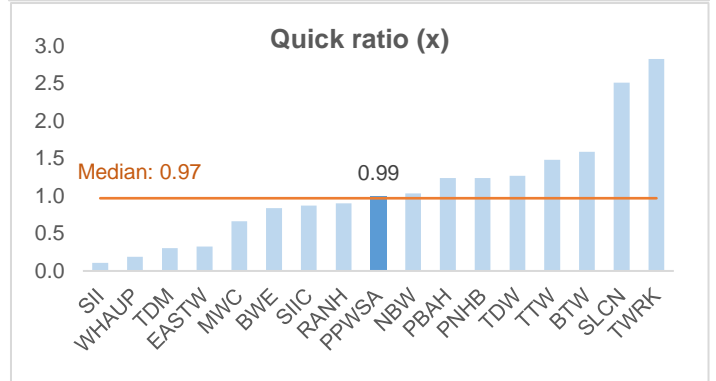
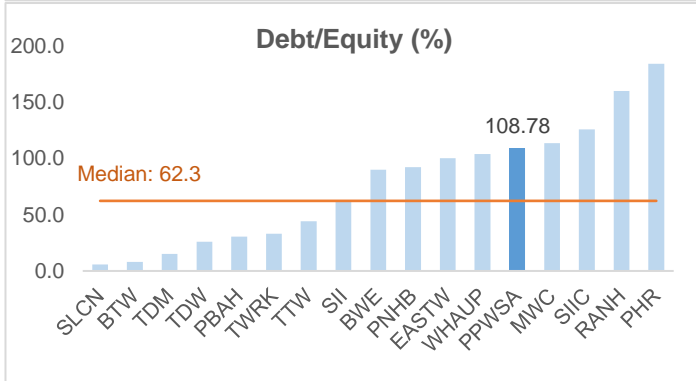
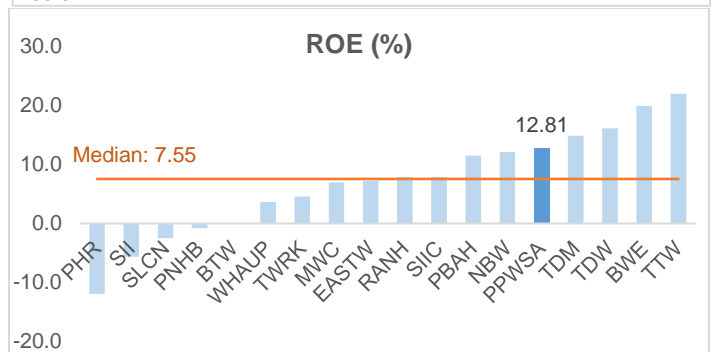
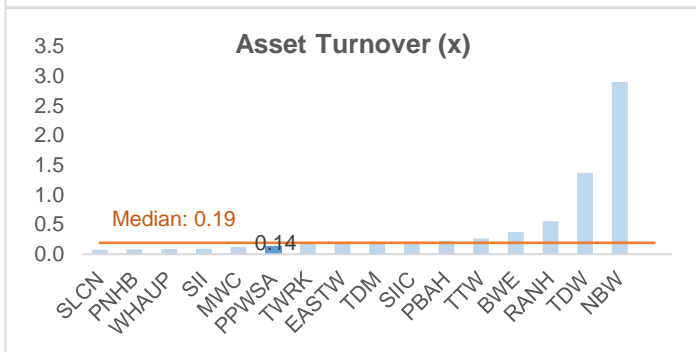
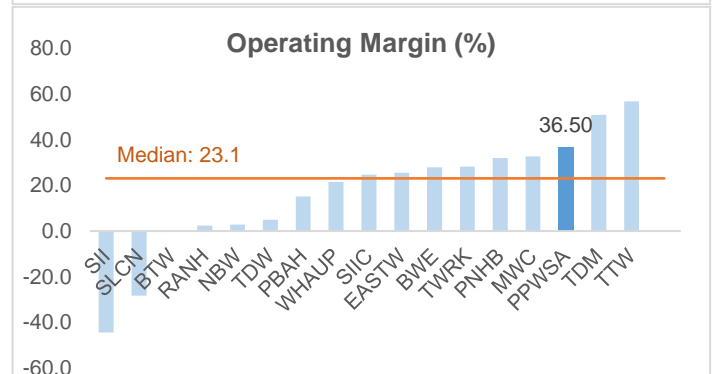
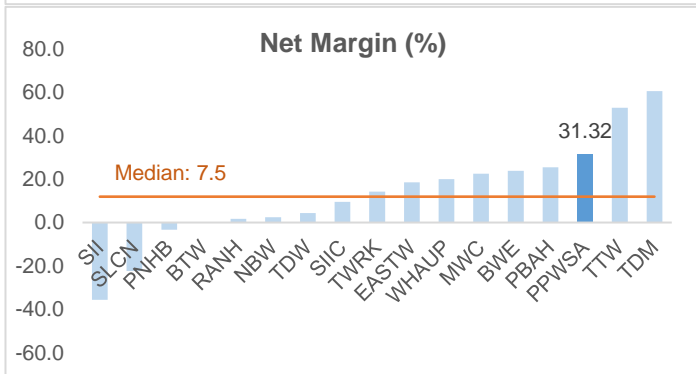
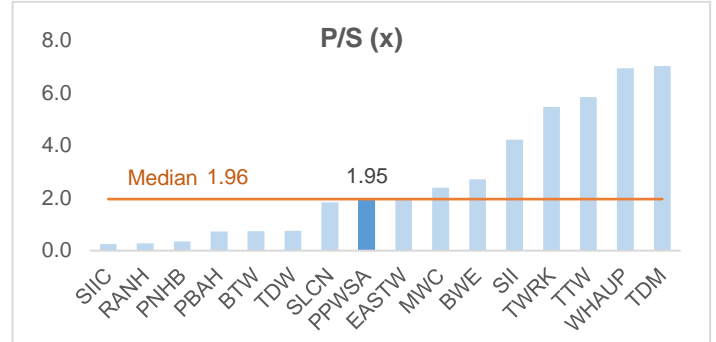
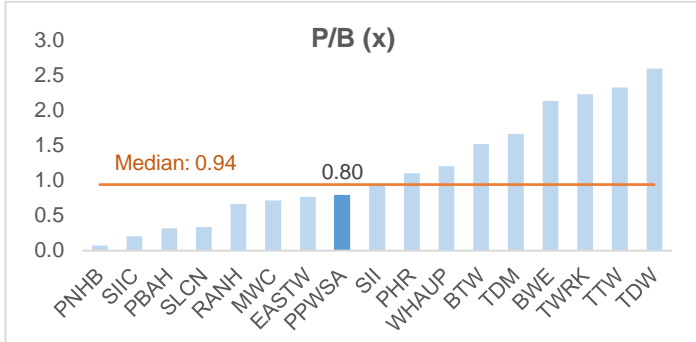
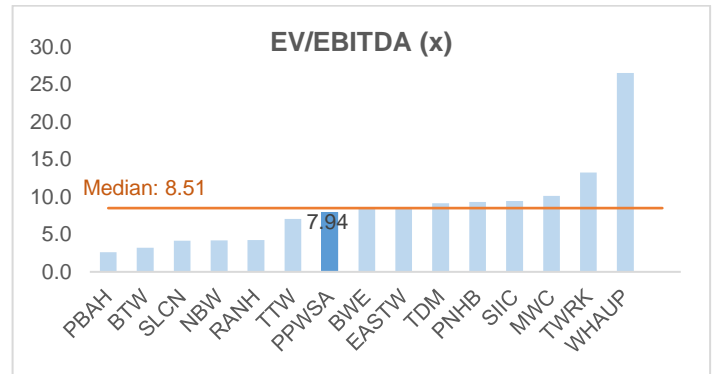
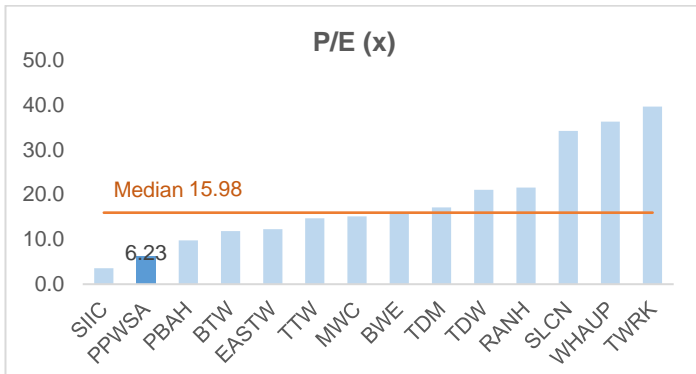
**Nine-month profit margin**



**Nine-month profit growth (YoY)**



**ASEAN Peers Comparison**



Note: All figures are trailing-twelve-month figures obtained from S&P Capital IQ; Share price as of Jan 13, 2023; PPWSA's price data is as of Jan 17, 2023  
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				
FY to Dec (KHRbn)	2019	2020	2021	9M22
<b>Revenues</b>	<b>215.0</b>	<b>324.4</b>	<b>366.9</b>	<b>253.9</b>
COGS	-55.5	-76.8	-78.0	-52.3
Gross profit	159.6	247.6	288.9	201.6
Operating expenses	-59.4	-64.3	-78.9	-58.8
Net gain/loss from forex	1.5	-3.3	2.3	-1.3
<b>EBITDA</b>	<b>101.7</b>	<b>180.0</b>	<b>212.3</b>	<b>141.5</b>
Depreciation & Amortization	-49.7	-50.4	-55.2	-44.6
<b>EBIT</b>	<b>52.0</b>	<b>129.6</b>	<b>157.1</b>	<b>96.9</b>
Interest income	8.8	7.6	13.6	24.8
Interest expense	-11.5	-16.5	-4.8	-15.7
<b>PBT</b>	<b>49.3</b>	<b>120.7</b>	<b>165.9</b>	<b>106.0</b>
Income tax expense	-16.0	-32.4	-36.6	-19.9
<b>Net profit of the period</b>	<b>33.3</b>	<b>88.4</b>	<b>129.3</b>	<b>86.1</b>
Actuarial loss/gain on retirement benefit	0.0	0.0	0.0	0.0
<b>Comprehensive income</b>	<b>33.3</b>	<b>88.4</b>	<b>129.3</b>	<b>86.1</b>

Statement of cash flow				
FY to Dec (KHRbn)	2019	2020	2021	9M22
<b>Operating cash flow</b>	<b>224.7</b>	<b>68.8</b>	<b>69.3</b>	<b>251.1</b>
Net profit	33.3	88.4	129.3	106.0
Depreciation & amortization	49.7	50.4	55.2	44.6
Change in working capital	99.6	-75.8	-61.5	124.6
Others	42.1	5.9	-53.7	-24.0
<b>Investing cash flow</b>	<b>-186.0</b>	<b>-199.3</b>	<b>-342.9</b>	<b>-414.3</b>
Net CAPEX	-200.1	-195.9	-289.7	-389.5
ST investment	15.7	-0.5	-49.7	-22.1
Others	-1.6	-2.9	-3.4	-2.8
<b>Financing cash flow</b>	<b>3.1</b>	<b>175.1</b>	<b>263.5</b>	<b>154.2</b>
Net change in share capital	0.0	0.0	78.1	0
Net change in debt	10.7	202.2	274.6	163.0
Cash dividend	-2.8	-26.0	-3.4	-4.0
Others	-4.7	-1.2	-85.7	-4.8
<b>Net change in cash &amp; equivalent</b>	<b>41.9</b>	<b>44.5</b>	<b>-10.1</b>	<b>-9.0</b>
Beginning cash & equivalent	13.4	55.2	99.7	89.7
Ending cash & equivalent	55.2	99.7	89.7	80.6

Statement of financial position				
FY to Dec (KHRbn)	2019	2020	2021	3Q22
<b>Non-current assets</b>	<b>1,387.4</b>	<b>1,586.7</b>	<b>1,906.4</b>	<b>2,105.8</b>
Fixed assets	1,374.0	1,573.6	1,893.9	2,093.2
Intangible assets	13.4	13.1	12.5	12.6
Other non-current assets	0.0	0.0	0.0	0.0
<b>Current assets</b>	<b>216.9</b>	<b>277.9</b>	<b>400.4</b>	<b>501.2</b>
Inventories	103.8	78.6	143.7	174.6
Trade receivables	13.6	25.6	24.9	74.1
Cash & cash equivalent	55.2	99.7	89.7	80.6
Short-term investment	17.9	18.4	68.2	90.2
Other current assets	26.5	55.5	74.0	81.6
<b>Total assets</b>	<b>1,604.3</b>	<b>1,864.6</b>	<b>2,306.8</b>	<b>2,607.0</b>
<b>Non-current liabilities</b>	<b>449.8</b>	<b>663.8</b>	<b>948.9</b>	<b>1,111.5</b>
Long-term debts	303.9	517.3	790.4	946.6
Refundable water deposits	65.4	65.2	69.4	74.6
Other non-current liabilities	80.5	81.3	89.1	90.3
<b>Current liabilities</b>	<b>240.8</b>	<b>218.8</b>	<b>191.3</b>	<b>246.8</b>
Short-term debts	33.1	30.8	23.1	22.3
Trade & other payables	196.7	156.6	142.0	202.7
Other current liabilities	11.0	31.3	26.2	21.8
<b>Total liabilities</b>	<b>690.6</b>	<b>882.6</b>	<b>1,140.2</b>	<b>1,358.3</b>
<b>Shareholders' equity</b>	<b>913.7</b>	<b>982.1</b>	<b>1,166.6</b>	<b>1,248.7</b>
Share capital	541.2	541.2	619.3	619.3
Capital reserves	339.2	352.5	418.0	543.3
Retained earnings	33.3	88.4	129.3	86.1
<b>Total liabilities &amp; equity</b>	<b>1,604.3</b>	<b>1,864.6</b>	<b>2,306.8</b>	<b>2,607.0</b>
Net debt	281.9	448.4	723.8	888.2
Total debt	337.1	548.1	813.5	968.9

## Yuanta Securities Network



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