

Suntien Green Energy (956 HK)

Operating performance running ahead of estimates

Suntien released a strong set of operating performance in May. In 5M21, the Company generated 6.6TWh wind power, up 50.2% YoY, and recorded 1.91bn natural gas sales volume, up 12.2% YoY. Both segments' performances were ahead of mgmt. guidance and our estimates. We think Suntien's 5M20 performance had laid solid foundation for 1H21E earnings. We lifted assumptions for wind utilization hours, gas sales volume and dollar margin, which lead to upward revision of 11.9% to FY21E earnings to RMB1,920mn. **Our SOTP-based TP is lifted to HK\$4.15. Maintain BUY.**

■ **5M21 wind power generation surged 50.2% YoY.** Wind power generation stayed strong in May, reading 1,430MWh, up 60.3% YoY, similar to Jan in the high wind season. The Company generated 6.6TWh in 5M21, up 50.2% YoY and accounting for 50.7%/54.8% of mgmt. guidance/our estimates for FY21E. We think effective capacity growth (+29.3% YoY) and good wind resources in 5M21 were the key reasons for the outstanding operating performance. We lifted full year utilization outlook from 2,450 to 2,550 hours to reflect the better-than-expected performance. For FY21E, we now expect Suntien to generate wind power of 12.8TWh, up 29.5% YoY.

■ **Gas sales came with surprise.** Gas sales growth exhibited a surprising acceleration in May, with total sales volume of c.240mcbm, up 36.7% YoY, reversing seasonal trend following winter heating season. Mgmt. explained the unexpected strong sales performance was mainly driven by tightened environmental control, which forced industrial users to increase natural gas consumption for substituting coal and heavy oil burning. Moreover, as LNG rivals is facing increasing costs, we also expect Suntien to see a faster recovery on gas dollar margin.

■ **Revise up FY21E earnings by 12.1%.** Based on 5M21 operating performance and our operating outlook adjustments, we lifted FY21/22E earnings by 11.9%/4.8% respectively to RMB1,920/1,924mn. We still see earnings upside due to conservative assumptions. Our FY21E earnings estimate is 9.6% higher than consensus.

■ **Still has ample room for re-rating.** YTD, Suntien's share price had surged more than 46%. Trading at FY21E 5.4x/0.7x (inconsistent with below?) PER/PBR, Suntien's valuation is still below peers' average of 8.0x/0.8x PER/PBR. We think the strong operating performance will boost market sentiment, and we also foresee short term catalysts from 1) Suntien's reverse roadshow in late Jun, 2) strong 1H21E earnings, and 3) upcoming events and promotions associated with 2022 Beijing Winter Olympics. Our SOTP-based TP is lifted to HK\$4.15, and we still see ample room for re-rating.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	11,969	12,511	14,456	15,888	18,049
Net income (RMB mn)	1,344	1,433	1,968	1,994	2,049
EPS (RMB)	0.36	0.38	0.51	0.52	0.53
YoY growth (%)	8.4	4.7	34.9	1.3	2.8
Consensus EPS (RMB)	N/A	N/A	0.43	0.47	0.51
P/E (x)	7.6	7.3	5.4	5.3	5.2
P/B (x)	0.86	0.80	0.73	0.67	0.61
Yield (%)	4.6	5.0	6.4	6.6	7.0
ROE (%)	11.3	11.1	13.5	12.5	11.9
Net gearing (%)	186	225	230	256	255

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price HK\$4.15
 (Previous TP) HK\$3.26
Up/Downside +17.8%
Current Price HK\$2.91

China Wind Sector

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Stock Data

Mkt Cap (HK\$ mn)	35,264
Avg 3 mths t/o (HK\$ mn)	61.94
52w High/Low (HK\$)	3.10/1.20
Issued shares - H (mn)	1,839
Issued shares - A (mn)	2,011

Source: Bloomberg

Shareholding Structure

HECIC	48.7%
Free float	51.3%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	17.3%	26.5%
3-mth	29.9%	22.9%
6-mth	63.5%	36.2%
12-mth	121.9%	87.2%

Source: Bloomberg

12-mth Price Performance



Source: Wind

Auditor: Ernst & Young

Related Report

"Suntien Green Energy (956 HK) – Heading towards further re-rating opportunities" – 23 Feb 2021

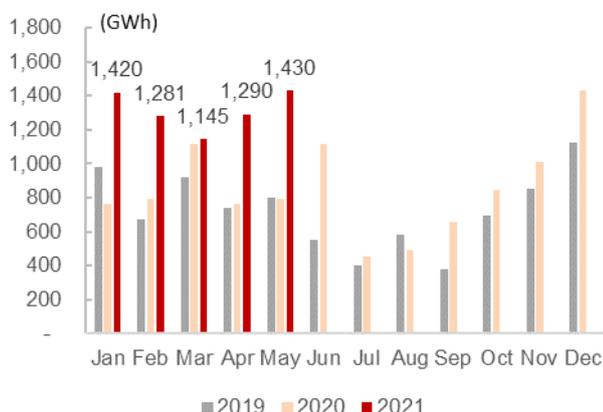
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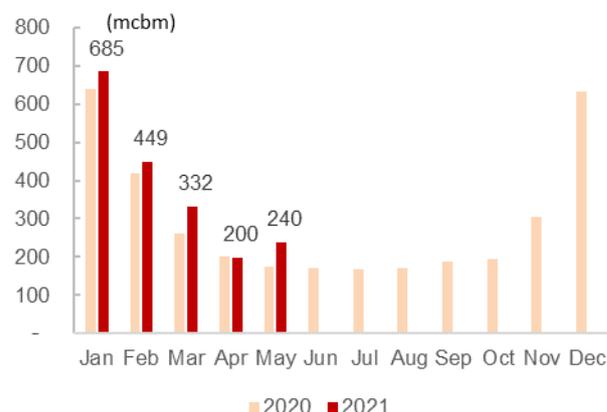
Figure 1: Operating summary for May and 5M21

	2021		5M21	YoY
	May	YoY		
Wind power (GWh)	1,430	60.3%	6,601	50.2%
Hebei	1,084	63.0%	5,036	48.4%
Shanxi	47	8.1%	222	12.9%
Xinjiang	25	-19.3%	88	-4.5%
Yunnan	68	6.4%	312	-33.0%
Shandong	10	12.4%	44	15.3%
Inner Mongolia	70	79.5%	341	104.2%
Guangxi	29	188.6%	110	64.1%
Jiangsu	31	95.7%	155	93.5%
Henan	15	2.6%	72	98.4%
Heilongjiang	32	N/A	148	N/A
Jiangxi	8	N/A	36	N/A
Hunan	10	N/A	36	N/A
Solar power (GWh)	18	4.6%	74.03	-4.0%
Hebei	7	8.1%	25	-6.4%
Xinjiang	3	-1.0%	14	-1.6%
Liaoning	1	13.2%	7	-2.5%
Heilongjiang	6	2.5%	28	-3.3%
Total power generation	1,448	59.2%	6,675	49.2%
As% to annual generation				
Natural gas (mcbm)	240	36.7%	1,906	12.2%
Wholesale	106	33.4%	1,210	10.5%
Retail	126	40.0%	662	14.3%
CNG	6	24.6%	28	19.4%
LNG	1	76.4%	6	282.9%

Source: Company data, CMBIS

Figure 2: Monthly wind power generation

Source: Company data, CMBIS

Figure 3: Monthly gas sales volume

Source: Company data, CMBIS

Figure 4: We made slight revision on earnings estimates

	Old			New			Change(%)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Revenue (RMB mn)	13,998	15,559	17,866	14,456	15,888	18,049	3.3%	2.1%	1.0%
Net Income (RMB mn)	1,756	1,830	2,001	1,968	1,994	2,049	12.1%	8.9%	2.4%
EPS (RMB)	0.46	0.48	0.52	0.51	0.52	0.53	12.1%	8.9%	2.4%
Our est. vs. Consensus							Diff with consensus		
Consensus Earnings (RMB mn)				1,752	2,017	1,820	12.3%	-1.2%	12.6%
Consensus EPS (RMB)				0.42	0.45	0.45	22.6%	14.6%	17.7%

Source: CMBIS estimates

Figure 5: Our SOTP valuation for wind and gas segment

SOTP Valuation summary	Measure by	
	The Company (RMB mn)	Per share (RMB)
Wind & Solar segment -DCF	43,789	11.37
Piped gas supply segment - PER	6,810	1.77
Total value	50,599	13.14
Less: Net debt	33,504	8.70
Minority Interest	3,687	0.96
Renewable corp bond	1,494	0.04
Equity Value of the firm	13,408	3.44
Per share value (HKD)		4.15

Source: CMBIS estimates

Note: Gas segment valuation based on RMB665mn FY21 earnings and 10x P/E multiple.

Figure 6: DCF valuation for wind power segment

DCF Valuation	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Grid Connected Capacity(MW)	6,572	7,122	7,692	8,307	8,972	9,689	10,464	11,302	12,206
Capacity growth	9.1%	8.4%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Additional capacity of that year(MW)	550	550	570	615	665	718	775	837	904
Turnover (Rmb mn)	6,194	6,737	7,240	7,780	8,360	8,984	9,654	10,374	11,148
Turnover growth	7.7%	8.8%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
EBIT (Rmb mn)	3,462	3,765	4,028	4,309	4,609	4,931	5,275	5,642	6,035
EBIT margin (%)	55.9%	55.9%	55.6%	55.4%	55.1%	54.9%	54.6%	54.4%	54.1%
Tax rate (%)	12.8%	13.3%	14%	15%	16%	16%	17%	18%	19%
Depreciation (Rmb mn)	1,933	2,100	2,317	2,528	2,759	3,010	3,282	3,579	3,902
CAPEX (Rmb mn)	-3,575	-3,575	-3,629	-3,841	-4,066	-4,303	-4,554	-4,820	-5,102
Change in working capital (Rmb mn)	-241	414	-151	-54	-58	-62	-67	-72	-77
Free cash flow	1,138	2,205	2,000	2,306	2,530	2,774	3,039	3,327	3,641
Years	1	2	3	4	5	6	7	8	9
Discount factor	0.92	0.84	0.77	0.71	0.65	0.60	0.55	0.50	0.46
Discount free cash flow	1,045	1,858	1,548	1,639	1,650	1,661	1,671	1,679	1,687
Terminal value	63,333								
Terminal perpetual growth	3.00%								
Terminal EV/EBITDA	6.37								

Valuations (RMB mn)		WACC Calculations	
Terminal value	63,333	Cost of debt	4.70%
Terminal perpetual growth	3.0%	Tax rate	20%
Terminal EV/EBITDA	6.37	After tax cost of debt	3.8%
Total discount FCF	14,439	Adjusted beta	1.20
Discount terminal value	29,350	Market risk premium	14.76%
Segment value	43,789	Risk free rate	0.8%
Discount FCF(% of total)	33%	Cost of equity	18.5%
Terminal value (% of total)	67%	% of debt financing	65%
Share fair value (Rmb)	11.37	WACC	8.9%
Share fair value (HKD)	12.96		

Source: CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	11,969	12,511	14,456	15,888	18,049
Natural gas	7,996	8,043	8,702	9,689	11,307
Wind & Solar	3,985	4,463	5,750	6,194	6,737
Others	4	5	5	5	5
Operating cost	(8,638)	(9,101)	(10,057)	(11,175)	(12,847)
Business tax & surcharge	(39)	(34)	(40)	(45)	(51)
Selling expenses	(1)	(2)	(2)	(2)	(3)
Administration expenses	(554)	(528)	(607)	(667)	(758)
R&D expenses	(10)	(36)	(43)	(48)	(54)
Finance costs	(869)	(913)	(1,144)	(1,238)	(1,408)
Other gain or loss	96	75	85	85	85
Investment income	222	266	263	287	312
Provisions & disposal	(35)	70	75	75	75
Operating profit	2,136	2,252	2,970	3,145	3,385
Non-operating income	50	13	20	20	20
Non-operating expenses	(2)	(2)	(2)	(2)	(2)
Profit before tax	2,184	2,264	2,988	3,163	3,403
Income tax	(356)	(331)	(448)	(498)	(561)
Profit for the period	1,828	1,933	2,540	2,665	2,841
Less: Minorities	413	422	494	593	715
Perpetual distribution	71	78	78	78	78
Net profit	1,344	1,433	1,968	1,994	2,049

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Profit before tax	2,184	2,303	2,992	3,212	3,491
DD&A	1,542	1,461	2,029	2,555	3,038
Working cap change	438	1,453	(1,362)	(241)	414
Taxation	(272)	(378)	(536)	(533)	(587)
Others	(158)	(929)	40	-	(0)
Operating cash flow	3,732	3,899	3,163	4,994	6,356
Capex & investments	(6,075)	(12,478)	(8,847)	(11,572)	(9,191)
Others	(28)	2,664	219	-	-
Investment cash flow	(6,103)	(9,814)	(8,629)	(11,572)	(9,191)
Net change in cash	47	423	-	-	-
Cash at the beginning	904	-	-	-	-
Exchange difference	1,674	7,218	6,333	7,203	4,545
Cash at the end of the	(710)	(331)	(852)	(1,067)	(1,174)
Cash at balance sheet	1,849	(1,872)	-	-	-
Net change in cash	2,465	5,438	5,481	6,135	3,371
Net change in cash	93	(477)	15	(443)	536
Cash at the beginning	2,245	2,358	1,887	1,901	1,458
Exchange difference	19	6	-	-	-
Cash at the end of the	2,358	1,887	1,901	1,458	1,994
Cash at balance sheet	2,358	1,887	1,901	1,458	1,994

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	38,531	48,582	55,640	64,401	70,290
Fixed asset	28,269	39,601	46,223	55,011	60,911
Intangible assets	2,249	2,210	2,146	2,082	2,017
Associates & JVs	2,302	2,476	2,729	3,014	3,323
Prepayments	2,904	1,854	2,291	2,035	1,771
Others	377	460	260	259	257
Current assets	7,484	8,634	9,351	9,364	10,611
Cash	2,358	1,898	1,901	1,458	1,994
Receivables	3,983	5,287	6,140	6,731	7,581
Prepayments	1,081	1,391	1,233	1,096	953
Others	63	58	77	80	83
Current liabilities	10,551	13,536	15,522	16,910	18,611
Trade and bill payables	137	181	216	237	269
Other payables	6,341	8,306	8,095	8,101	8,962
Borrowings	3,920	4,912	7,081	8,422	9,211
Others	153	136	120	130	140
Non-current liabilities	20,706	27,026	31,212	37,074	40,866
Borrowings	19,093	25,922	28,324	33,686	36,842
Other payables	225	316	337	338	373
Others	46	50	50	50	50
Minority Interest	2,936	3,531	3,687	3,885	4,125
Renewable green bond	1,494	1,494	1,494	1,494	1,494
Shareholders' equity	10,360	11,671	13,077	14,402	15,804
Total Equity	14,759	16,654	18,258	19,781	21,423

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Wind & Solar	66.8	64.3	60.2	61.0	62.6
Natural Gas	33.3	35.7	39.8	39.0	37.3
Others	0.0	0.0	0.0	0.0	0.0
Total	100	100	100	100	100
P&L ratios (%)					
Gross profit margin	32.7	28.7	27.7	28.4	30.4
Operating margin	17.8	18.0	20.5	19.8	18.8
Pre-tax margin	18.2	18.1	20.7	19.9	18.9
Net margin	11.2	11.5	13.6	12.5	11.4
Effective tax rate	16.3	14.6	15.0	15.8	16.5
Balance sheet ratios					
Current ratio (x)	0.75	0.71	0.64	0.60	0.55
Quick ratio (x)	0.74	0.70	0.63	0.60	0.55
Cash ratio (x)	0.26	0.22	0.14	0.12	0.09
Debtors turnover days	111.2	139.0	144.2	147.8	144.7
Total debt/equity ratio (%)	182.3	164.7	189.1	193.9	212.9
Net debt/equity ratio (%)	185.5	225.4	229.9	255.6	254.6
Returns (%)					
ROE	12.4	11.3	11.1	13.2	12.6
ROA	3.2	2.9	2.5	3.0	2.7
Per share					
EPS (RMB)	0.36	0.38	0.51	0.52	0.53
DPS (RMB)	0.13	0.14	0.18	0.18	0.19
BVPS (RMB)	3.19	3.42	3.78	4.13	4.49

Source: Company data, CMBIS estimates

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