

PPWSA (KH100010004 CSX)

Performance Highlights

FY ends Dec (KHR'bn)	2Q20	% QoQ	% YoY	1H20	% YoY
Revenue	75.08	-1.0%	31.1%	150.90	34.1%
EBITDA	39.62	-10.2%	28.2%	83.73	39.4%
EBIT	26.86	-14.6%	45.0%	58.32	64.5%
Net finance expense/income	-4.28	N/A	-40.0%	-2.59	-58.0%
PBT	22.58	-31.9%	98.2%	55.73	90.3%
Net profit	15.82	-40.5%	71.4%	42.43	140.3%
EBITDA margin	52.8%	-5.4%pt	-1.2%pt	55.5%	2.1%pt
EBIT margin	35.8%	-5.7%pt	3.4%pt	38.6%	7.1%pt
Net margin	21.1%	-14.0%pt	5.0%pt	28.1%	12.4%pt

Source: Company, YSC Research

1H20 review: net profit more than doubles as revenue surges 34% YoY

Commercial & industrial clients see strongest quarterly growth in 18 quarters

- Water subscription reached 400,5000 connections at the end of June 2020, increasing by 10,433 or 2.7% over the first six-month period of the year. While the increase in total subscription was less than 13,328 connections during the same period last year, the increase in commercial & industrial clients was remarkable, recording a QoQ growth of 2.75%, the highest since 4Q15. There were 3,432 more commercial and industrial clients compared to the end of 2019.
- Despite the increase in subscription, total water consumption in 2Q20 decreased by about 2.66 million cubic meters. While household consumption increased by 2.85 million cubic meters, consumption by commercial & industrial clients decreased by 5.20 million cubic meters, most likely as a consequent of temporary shutdown of factories and businesses due to COVID-19 pandemic.

Top revenue surges more than 30% YoY on water tariff increase

- In 2Q20, total revenue surged 31.1% YoY to KHR75.08bn. Income from construction services more than quadrupled from KHR1.21bn in 2Q19 to KHR5.47bn in 2Q20, representing 7.3% of total revenue. Meanwhile, core water sales, which represented more than 89% of total revenue, soared 27.1% to KHR67.12bn in the second quarter. The surge in core water sales despite COVID-19-driven decline in water consumption was thanks to the increased water tariff. Household average water tariff rose 26.8% or by KHR226 per cubic meter from KHR844 per cubic meter to KHR1,070 per cubic meter. Commercial average water tariff rose by KHR396 per cubic meter from KHR1,212 per cubic meter to KHR1,609 per cubic meter.
- In the first half of 2020, PPWSA earned KHR150.90bn in total revenue, a 34.1% increase YoY.

Operating profit margin expands

- In 1H20, EBITDA came to KHR83.72bn, up 39.4% YoY. EBITDA margin widened by 2.1%pt to 55.5%. The modest expansion of EBITDA margin in the first six months of the year despite 34% YoY increase in revenue was due to a substantial growth in cost of goods and services and general administrative expenses. Although the 490% YoY jump in construction service expense can be associated with construction service income, other expense growth was quite substantial. Salaries increased by KHR3.77bn (16%YoY), while repair & maintenance rose by KHR2.05bn (64%YoY). On the other hand, with depreciation and amortization expenses growing modestly by 3% YoY, EBIT margin expanded by 7.1%pt to 38.6% in 1H20. EBIT achieved 64.5% growth to KHR58.32bn between January and June.

Net profit in 1H20 jumps 140% YoY

- Pre-tax profit nearly doubled to KHR55.73bn in the first half of 2020 as net finance expense decreased 58% from KHR6.16bn in 1H19 to KHR2.59bn in 1H20. As a result, net profit jumped 140% to KHR42.43bn from KHR17.66bn in the same period last year.

Water subscription

Client	2Q20	2Q19	Change	%Change	2Q20 % total
Household clients	328,175	313,977	14,198	4.5%	81.9%
Commercial & industrial clients	65,798	59,804	5,994	10.0%	16.4%
Others	6,527	6,489	38	0.6%	1.6%
Total	400,500	380,270	20,230	5.3%	100.0%

Source: The Company

Last Close	KHR 6,000
-------------------	------------------

Source: CSX, YSC Research

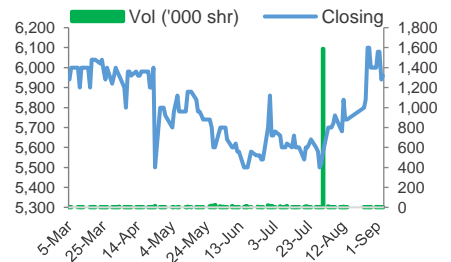
Stock info

Industry	Utilities (Water)
Market cap (KHR'bn)	521.839
Outstanding shares ('mn)	21
Majority shareholder	Ministry of Economy & Fin (%)
	80
Avg. daily vol. (last 6 months, shr)	16,422
Free floating shares (last 6 months, %)	2.28
Price low/high (last 6 months, KHR)	5500 ~ 6100
EPS (KHR)	667.57
P/E (x)	8.99
P/E* (x, adj. earnings)	8.93
P/B (x)	0.57
P/B** (x)	0.98
EV/EBITDA (x)	4.16
D/E (%)	78.86

*Based on earnings adjusted for forex gain/loss

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

Stock performance

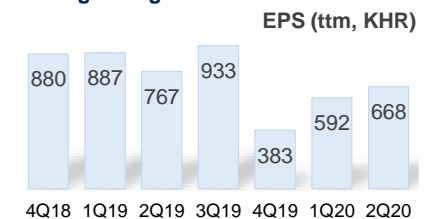


Trading volume/value in last 12 months

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Sep-19	66,593	407	3,700	23
Oct-19	62,402	382	3,120	19
Nov-19	56,261	336	3,126	19
Dec-19	132,867	792	6,327	38
Jan-20	118,227	707	5,630	34
Feb-20	32,360	192	1,618	10
Mar-20	25,530	152	1,216	7
Apr-20	49,841	287	2,266	13
May-20	96,032	546	5,649	32
Jun-20	98,827	556	4,706	26
Jul-20	1,674,225	8422	72,792	366
Aug-20	42,033	243	2,627	15

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 (1H20, 1H19, change, growth, share of total)

KHR'mn	1H20	1H19	Change	%Change	1H20 % total
Water Sales	134,005	104,049	29,956	28.8%	88.8%
Construction Services	7,153	1,360	5,792	425.8%	4.7%
Other Incomes	9,741	7,104	2,636	37.1%	6.5%
Total revenue	150,899	112,513	38,385	34.1%	100.0%

Source: The Company

Water tariff

Type of Clients	Water Consumption per month	Old Tariff per m3	New Tariff per m3	%Change
Households	• 0m3 - 04m3	KHR 400	KHR 400	0.0%
	• 4m3 - 07m4	KHR 500	KHR 400	-20.0%
	• 08m3 - 15m3	KHR 770	KHR 720	-6.5%
	• 16m3 - 25m2	KHR 1,010	KHR 960	-5.0%
	• 26m3 - 50m3	KHR 1,010	KHR 1,250	23.8%
	• 51m3 - 100m3	KHR 1,250	KHR 1,900	52.0%
Commercial & Industry	• Over 100m3	KHR 1,250	KHR 2,200	76.0%
	• 0m3 - 15m3	KHR 950	KHR 950	0.0%
	• 16m3 - 45m3	KHR 950	KHR 1,100	15.8%
	• 46m3 - 100m3	KHR 950	KHR 1,400	47.4%
	• 101m3 - 200m3	KHR 1,150	KHR 1,700	47.8%
	• 201m3 - 500m3	KHR 1,350	KHR 2,100	55.6%
Govt institutions & Others		KHR 1,030	KHR 2,500	142.7%

Source: The Company

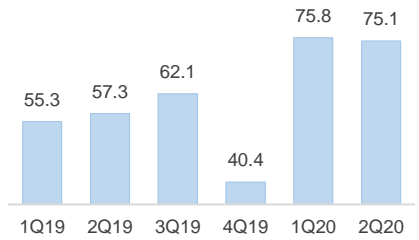
Financial Ratios

FY to Dec	2016	2017	2018	2019	2Q20 (ttm)
Per-share ratios					
EPS (KHR)	580	413	880	383	668
EPS* (KHR, adj. earnings)	583	614	808	390	672
BPS (KHR)	9,405	9,588	10,176	10,351	10,603
BPS** (KHR, excluding Class A)	4,908	5,091	5,679	5,855	6,106
EBITDA/shr (KHR)	1,075	1,339	1,586	1,169	1,441
SPS (KHR)	2,279	2,678	3,048	2,472	2,914
DPS (KHR)	160	154	218	230	-
Valuation ratios					
Share price at year end	4,100	3,860	4,200	6,000	5,860
P/E (x)	7.07	9.34	4.77	15.67	8.78
P/E* (x, adj. earnings)	7.04	6.28	5.20	15.38	8.72
P/B (x)	0.44	0.40	0.41	0.58	0.55
P/B** (x, excluding Class A)	0.84	0.76	0.74	1.02	0.96
EV/EBITDA (x)	5.12	4.56	4.68	7.73	7.04
P/S (x)	1.80	1.44	1.38	2.43	2.01
Dividend yields (%)	3.90	3.99	5.18	3.83	-
Dividend payout (%)	28.24	40.50	25.71	60.09	-
Profitability ratios					
Gross margin (%)	68.66	71.04	75.91	74.21	73.83
EBITDA margin (%)	47.16	50.01	52.03	47.28	49.46
EBIT (%)	29.00	34.13	35.79	24.17	29.53
Net margin (%)	25.45	15.43	28.86	15.48	22.91
ROE (%)	6.29	4.33	8.80	3.67	6.19
ROE** (% , excluding Class A)	12.27	8.20	16.00	6.46	10.61
ROA (%)	3.97	2.70	5.44	2.18	3.52
Efficiency ratios					
Asset turnover (x)	0.16	0.18	0.19	0.14	0.16
Receivables turnover (x)	5.72	5.84	8.38	13.43	8.33
Payable turnover (x)	2.05	1.60	0.96	0.40	0.57
Financial strength					
Debt/equity (%)	58.3	62.3	61.2	75.6	78.9
Net debt/equity (%)	14.8	23.2	31.2	28.9	39.9
Interest coverage (x)	3.4	2.4	5.9	4.5	9.4
Inter & ST debt cover (x)	1.1	1.0	1.6	1.2	1.9
Current ratio (x)	3.3	2.0	1.6	0.9	1.4
Quick ratio (x)	2.6	1.4	0.5	0.4	0.6
Net debt/EBITDA (x)	1.3	1.7	2.0	2.6	3.0

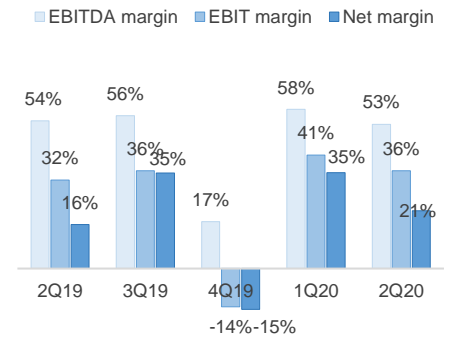
*Based on earnings adjusted for forex gain/loss on borrowings; **Excluding Class A (non-voting) shares of KHR391bn

Source: The Company, YSC Research

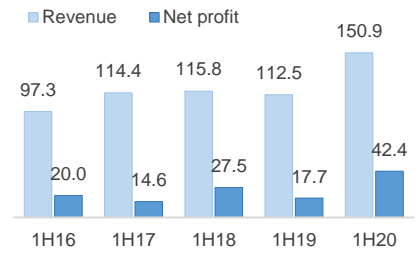
Quarterly revenue (KHR'bn)



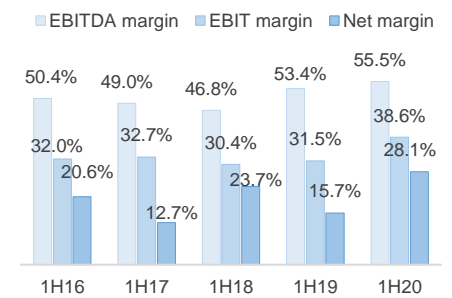
Quarterly profit margin



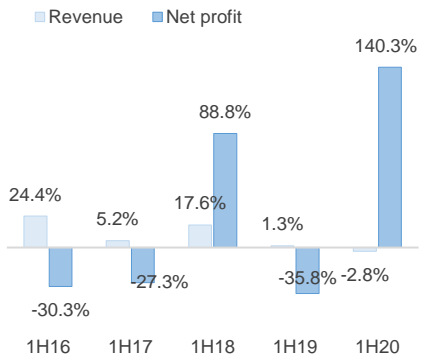
Six-month revenue and net profit (KHR'bn)



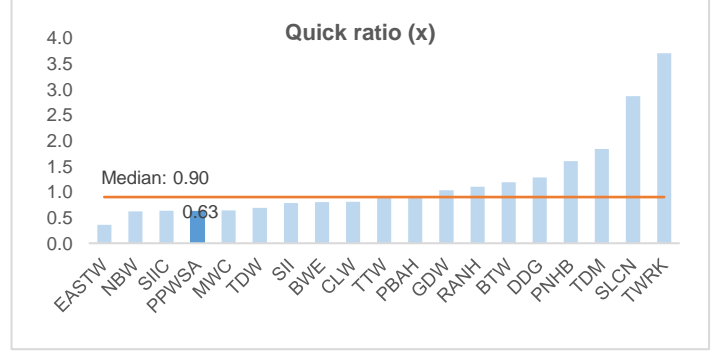
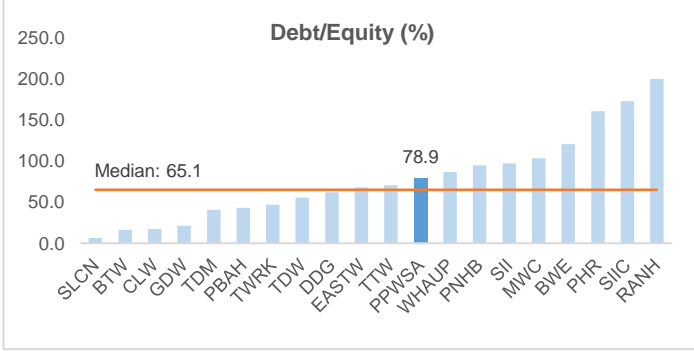
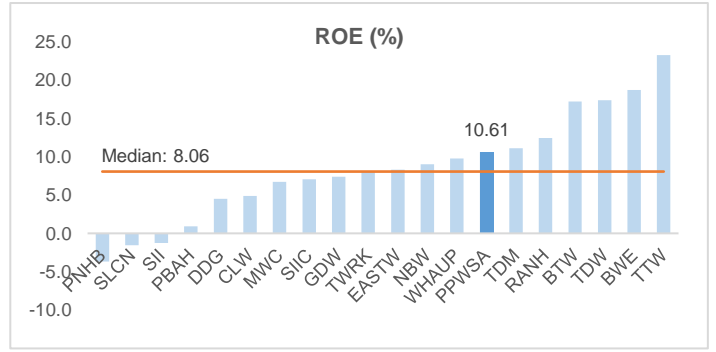
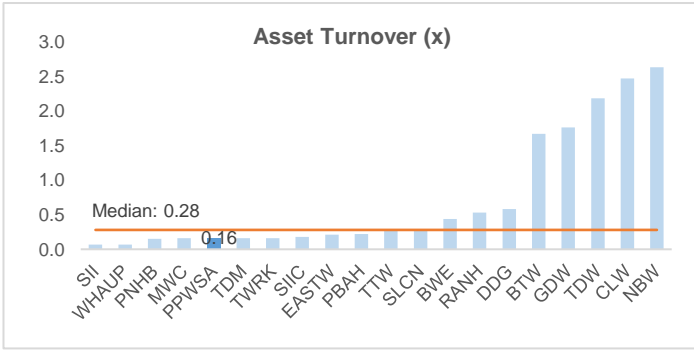
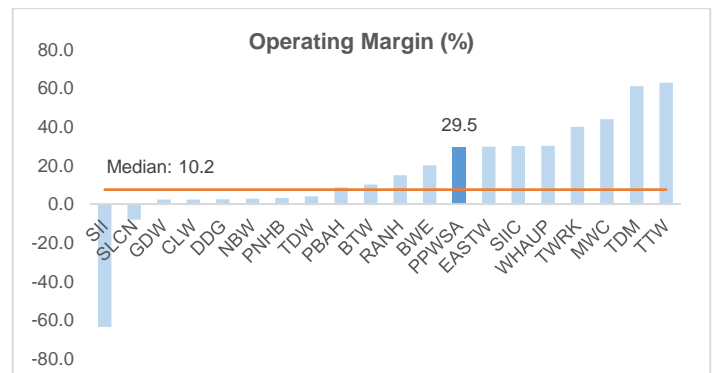
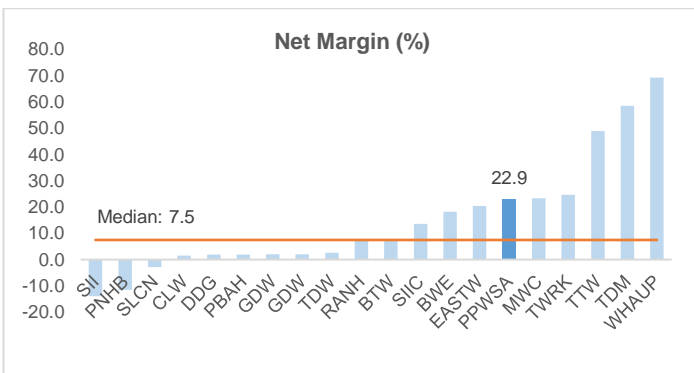
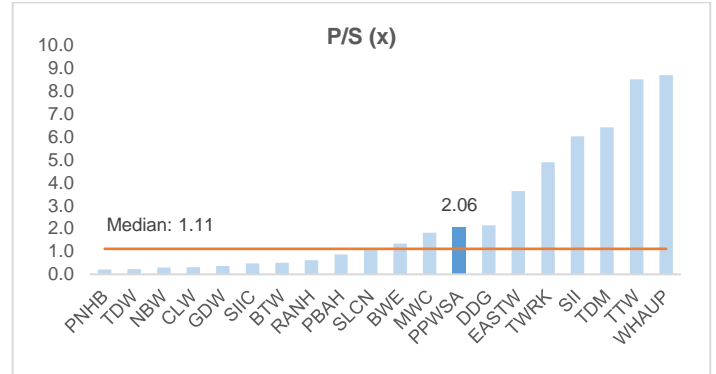
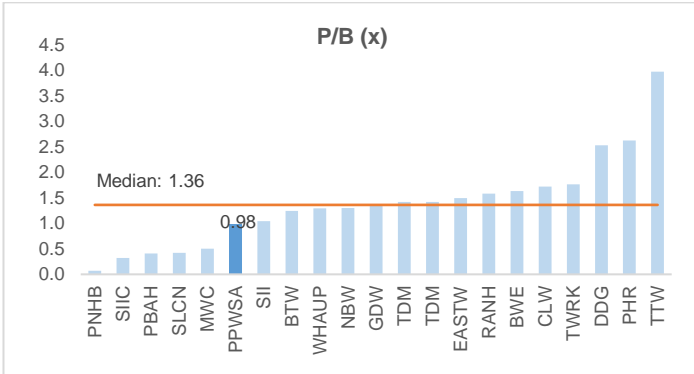
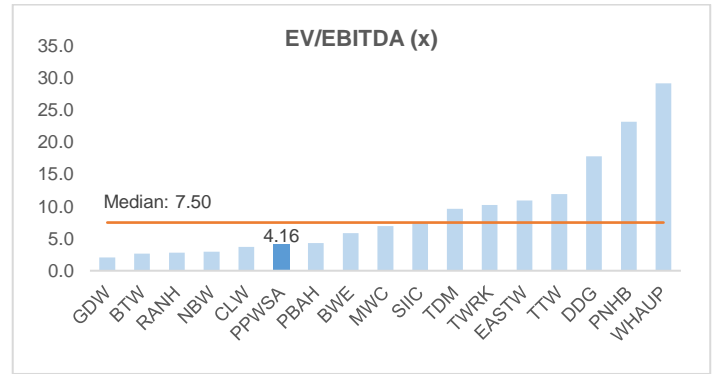
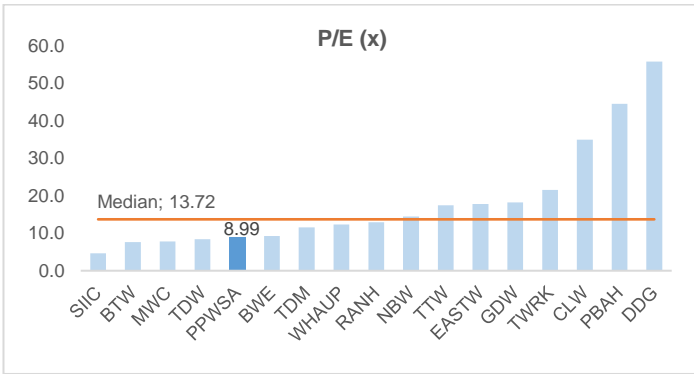
Six-month profit margin



6-month profit growth (YoY)



ASEAN Peers Comparison



Note: All figures are trailing-twelve-month figures
 Source: Thomson Reuters (As of September 08, 2020), 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)	2017	2018	2019	1H20
Revenues	232.9	265.1	215.0	150.9
COGS	-67.4	-63.9	-55.5	-34.8
Gross profit	165.4	201.2	159.6	116.1
Operating expenses	-48.7	-62.3	-59.4	-32.3
Net gain/loss from forex	-0.3	-0.9	1.5	0.0
EBITDA	116.5	137.9	101.7	83.7
Depreciation & Amortization	-37.0	-43.1	-49.7	-25.4
EBIT	79.5	94.9	52.0	58.3
Interest income	6.1	16.8	8.8	2.9
Interest expense	-32.8	-16.2	-11.5	-5.5
PBT	52.8	95.5	49.3	55.7
Income tax expense	-16.9	-19.0	-16.0	-13.3
Net profit of the period	35.9	76.5	33.3	42.4
Actuarial loss/gain on retirement benefit	-2.9	-2.9	0.0	0.0
Comprehensive income	33.1	73.6	33.3	42.4

Statement of cash flow				
FY to Dec (KHRbn)	2017	2018	2019	1H20
Operating cash flow	83.4	83.1	224.7	-54.1
Net profit	35.9	76.5	33.3	55.7
Depreciation & amortization	37.0	43.1	49.7	25.4
Change in working capital	-25.6	26.7	99.6	-130.3
Others	36.1	-63.2	42.1	-4.9
Investing cash flow	-60.1	-98.8	-186.0	-50.9
Net CAPEX	-115.4	-161.8	-200.1	-44.1
ST investment	51.6	63.1	15.7	-5.7
Others	3.8	-0.1	-1.6	-1.1
Financing cash flow	-23.7	13.1	3.1	99.6
Net change in share capital	0.0	0.0	0.0	0
Net change in debt	-1.0	27.6	10.7	108.3
Cash dividend	-13.9	-6.5	-2.8	-6.9
Others	-8.7	-8.0	-4.7	-1.8
Net change in cash & equivalent	-0.4	-2.6	41.9	-5.4
Beginning cash & equivalent	16.4	16.0	13.4	55.2
Ending cash & equivalent	16.0	13.4	55.2	49.8

Statement of financial position				
FY to Dec (KHRbn)	2017	2018	2019	2Q20
Non-current assets	1,129.5	1,230.0	1,387.4	1,423.8
Fixed assets	1,124.2	1,215.7	1,374.0	1,409.8
Intangible assets	5.2	14.3	13.4	13.9
Other non-current assets	0.1	0.0	0.0	0.0
Current assets	232.5	219.4	216.9	250.6
Inventories	64.5	97.0	103.8	91.5
Trade receivables	44.8	18.5	13.6	39.8
Cash & cash equivalent	16.0	13.4	55.2	49.8
Short-term investment	96.7	33.6	17.9	23.6
Other current assets	10.5	56.9	26.5	45.8
Total assets	1,362.0	1,449.4	1,604.3	1,674.3
Non-current liabilities	408.8	411.2	449.8	558.9
Long-term debts	258.3	285.6	303.9	414.4
Refundable water deposits	49.7	56.8	65.4	63.2
Other non-current liabilities	100.8	68.7	80.5	81.3
Current liabilities	114.1	138.9	240.8	179.3
Short-term debts	49.4	42.1	33.1	32.2
Trade & other payables	51.1	82.3	196.7	133.1
Other current liabilities	13.6	14.5	11.0	14.0
Total liabilities	522.9	550.1	690.6	738.2
Shareholders' equity	839.1	899.3	913.7	936.1
Share capital	541.2	541.2	541.2	541.2
Capital reserves	264.8	284.5	339.2	352.5
Retained earnings	33.1	73.6	33.3	42.4
Total liabilities & equity	1,362.0	1,449.4	1,604.3	1,674.3
Net debt	291.6	314.4	281.9	396.9
Total debt	307.6	327.8	337.1	446.6

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.