

PPWSA (KH1000010004 CSX)

Performance Highlights

FY ends Dec (KHR'bn)	2019	2018	2017	2018-19 YoY	2017-18 YoY
Revenue	215.04	265.09	232.89	-18.88%	13.83%
EBITDA	101.68	137.94	116.46	-26.29%	18.44%
EBIT	51.97	94.87	79.49	-45.22%	19.36%
Net finance expense/income	-2.68	0.64	-26.66	-521.05%	NA
PBT	49.29	95.51	52.83	-48.39%	80.80%
Net profit	33.29	76.50	35.93	-56.48%	112.89%
EBITDA margin	47.3%	52.0%	50.0%	-4.8%pt	2.0%pt
EBIT margin	24.2%	35.8%	34.1%	-11.6%pt	1.7%pt
Net margin	15.5%	28.9%	15.4%	-13.4%pt	13.4%pt

Source: Company, YSC Research

2019 review: bottom line plunges 56% on declining other income

Water subscription continues robust growth of 6.3%

- Water subscription increased by 23,032 connections or 6.3% to 390,067 connections at the end of 2019. While total subscription saw the slowest growth rate since 2010, growth in subscription by commercial and industrial clients, which has greater average water consumption per connection than household, was the highest in the last four years. Of the additional 23,032 connections, there were 19,378 households, 3,577 commercial and industrial clients, 49 houses for rent to garment workers, and 28 connections from other type of clients.

Top line falls almost 19% as other income drops 66%

- Total revenue fell 18.9% to KHR215bn in 2019 from KHR265bn in 2018. The decrease in revenue was driven mainly by declining other income, which dropped by KHR33.8bn since in 2018 the company earned KHR32.9bn from the one-time gain on settlement of retirement benefit obligation. Meanwhile, core water sales, which represented more than 90% of total revenue in 2019, were down by KHR11.6bn or 5.6%. The decrease in water sales was in-line with dropping annual water demand. The total water demand came to 180.8 million cubic meters in 2019, down 5.4% from 191.2 million cubic meters in 2018, while average water tariff edged down 0.68% from KHR1,005 to KHR998. The decrease in revenue came despite the increase in water subscription. According to a filing on the CSX, the company attributed the negative growth to the "overstatement of accrued revenue" in 2018. Accrued water revenue came to just KHR10.4bn at the end of 2019, down from KHR46.0bn a year earlier.
- On the other hand, income from construction services plummeted 58.5% to KHR3.4bn, representing only 1.6% of total revenue in 2019, as the company had few construction projects.

Operating profit margin narrows

- Total operating expense decreased by KHR7.2bn or 4.2% from KHR170.2bn in 2018 to KHR163.1bn in 2019. Construction services expenses saw the largest decrease, falling by KHR2.92bn or 51.5% to KHR2.75bn. This was followed KHR2.59bn (4.8%) drop in expense on salaries, KHR1.52bn (3.9%) decrease in electricity cost, KHR1.08bn (13%) fall in expense on repair & maintenance, and KHR712mn (20%) decline in the cost of raw materials for household water connection. On the other hands, the cost of raw materials for water treatment increased slightly, up KHR169mn or 2.2%, while depreciation and amortization expense rose 15.4% or KHR6.63bn to KHR49.7bn.
- With the modest drop in total operating expense, yet the significant decline in revenue, EBITDA and EBIT margin narrowed by 4.8%pt and 11.6%pt to 47.3% and 24.2%, respectively. EBITDA fell 26% to KHR101.7bn, while EBIT tumbled 45% to KHR52.0bn.

Bottom line plunges 56% on declining other income

- With net finance income switching sign from positive KHR637mn in 2018 to negative KHR2.68bn, pre-tax profit almost halved to KHR49.3bn. As a result, net profit plunged 56% to KHR33.3bn in 2019 from KHR75.5bn in the previous year.

Water subscriptions

Client	2019	2018	Change	%Change	% total 2019
Household clients	321,212	301,834	19,378	6.42%	82.35%
Commercial & industrial clients	62,366	58,789	3,577	6.08%	15.99%
Houses for rent to garment workers	5,752	5,703	49	0.86%	1.47%
Others	720	692	28	4.05%	0.18%
Total	390,050	367,018	23,032	6.28%	100.00%

Source: The Company

July 17, 2020

Last Close **KHR 5,600**

Source: CSX, YSC Research

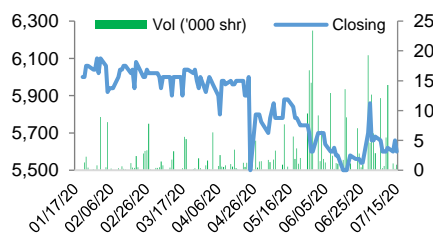
Stock info

Industry	Utilities (Water)
Market cap (KHR'bn)	487.05
Outstanding shares ('mn)	21
Majority shareholder	
Ministry of Economy & Fin (%)	80
Avg. daily vol. (last 6 months, shr)	3,078
Free floating shares (last 6 months, %)	0.43
Price low/high (last 6 months, KHR)	5500 ~ 6100
EPS (KHR)	382.78
P/E (x)	14.63
P/E* (x, adj. earnings)	14.35
P/B (x)	0.54
P/B** (x)	0.96
EV/EBITDA (x)	7.39
D/E (%)	75.59

*Based on earnings adjusted for forex gain/loss

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

Stock performance



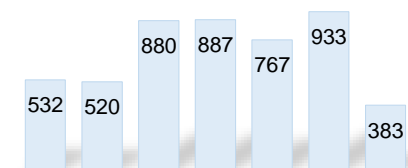
Trading volume/value in last 12 months

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Jul-19	34,790	208	1,513	9
Aug-19	122,773	738	5,581	34
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

Source: CSX, YSC Research

Earning strength

EPS (ttm, KHR)



2Q18 3Q18 4Q18 1Q19 2Q19 3Q19 4Q19
Note: EPS = earnings per share. ttm = trailing twelve months

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Revenue breakdown (2018, 2019, change, growth, share of total)

KHR'mn	2019	2018	Change	%Change	2019 % total
Water Sales	194,272	205,841	-11,569	-5.6%	90.3%
Construction Services	3,360	8,092	-4,732	-58.5%	1.6%
Other Incomes	17,403	51,160	-33,756	-66.0%	8.1%
Total revenue	215,036	265,093	-50,058	-18.9%	100.0%

Source: The Company

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

KHR'mn	2015	2016	2017	2018	2019
Interest income	33,210	20,194	6,145	16,814	8,824
Interest expense	-19,870	-17,072	-32,805	-16,177	-11,508
Net interest income	13,341	3,122	-26,660	637	-2,684

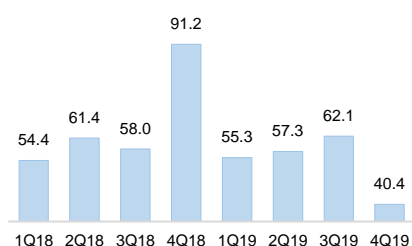
Source: The Company

Financial Ratios

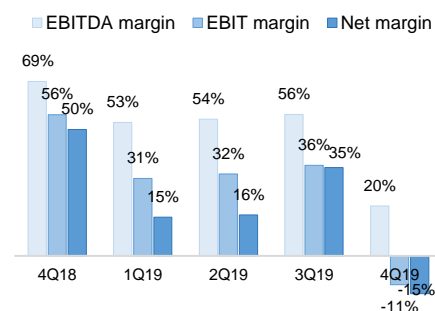
FY to Dec	2015	2016	2017	2018	2019
Per-share ratios					
EPS (KHR)	620	580	413	880	383
EPS* (KHR, adj. earnings)	478	583	614	808	390
BPS (KHR)	8,988	9,405	9,588	10,176	10,351
BPS** (KHR, excluding Class A)	4,491	4,908	5,091	5,679	5,855
EBITDA/shr (KHR)	1,027	1,075	1,339	1,586	1,169
SPS (KHR)	2,200	2,279	2,678	3,048	2,472
DPS (KHR)	153	160	154	218	230
Valuation ratios					
Share price at year end	5,080	4,100	3,860	4,200	6,000
P/E (x)	8.19	7.07	9.34	4.77	15.67
P/E* (x, adj. earnings)	10.64	7.04	6.28	5.20	15.38
P/B (x)	0.57	0.44	0.40	0.41	0.58
P/B** (x, excluding Class A)	1.13	0.84	0.76	0.74	1.02
EV/EBITDA (x)	5.82	5.12	4.56	4.68	7.73
P/S (x)	2.31	1.80	1.44	1.38	2.43
Dividend yields (%)	3.00	3.90	3.99	5.18	3.83
Dividend payout (%)	23.30	28.24	40.50	25.71	60.09
Profitability ratios					
Gross margin (%)	66.96	68.66	71.04	75.91	74.21
EBITDA margin (%)	46.66	47.16	50.01	52.03	47.28
EBIT (%)	28.56	29.00	34.13	35.79	24.17
Net margin (%)	28.19	25.45	15.43	28.86	15.48
ROE (%)	7.10	6.29	4.33	8.80	3.67
ROE** (% , excluding Class A)	14.62	12.27	8.20	16.00	6.46
ROA (%)	4.48	3.97	2.70	5.44	2.18
Efficiency ratios					
Asset turnover (x)	0.16	0.16	0.18	0.19	0.14
Receivables turnover (x)	5.89	5.72	5.84	8.38	13.43
Payable turnover (x)	2.59	2.05	1.60	0.96	0.40
Financial strength					
Debt/equity (%)	58.2	58.3	62.3	61.2	75.6
Net debt/equity (%)	9.9	14.8	23.2	31.2	28.9
Interest coverage (x)	2.8	3.4	2.4	5.9	4.5
Inter & ST debt cover (x)	1.1	1.1	1.0	1.6	1.2
Current ratio (x)	5.1	3.3	2.0	1.6	0.9
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	2.6

*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

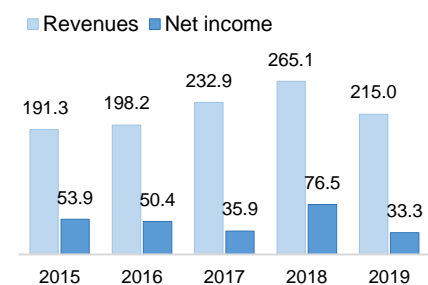
Quarterly revenue (KHR'bn)



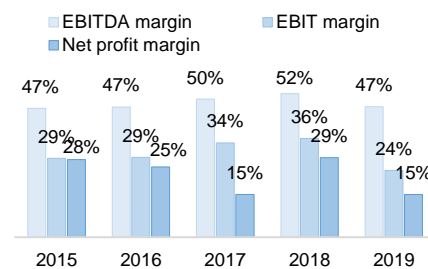
Quarterly profit margin



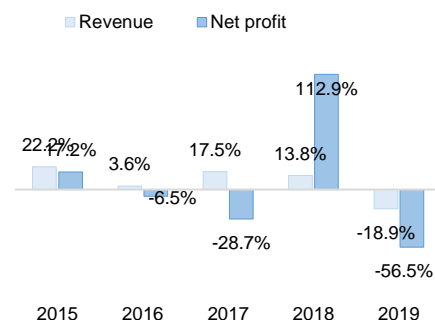
Annual revenue and net profit (KHR'bn)



Annual profit margin



Annual profit growth (YoY)



Condensed Financial Statements

Statement of comprehensive income				
FY to Dec (KHRbn)	2016	2017	2018	2019
Revenues	198.2	232.9	265.1	215.0
COGS	-62.1	-67.4	-63.9	-55.5
Gross profit	136.1	165.4	201.2	159.6
Operating expenses	-43.5	-48.7	-62.3	-59.4
Net gain/loss from forex	0.9	-0.3	-0.9	1.5
EBITDA	93.5	116.5	137.9	101.7
Depreciation & Amortization	-36.0	-37.0	-43.1	-49.7
EBIT	57.5	79.5	94.9	52.0
Interest income	20.2	6.1	16.8	8.8
Interest expense	-17.1	-32.8	-16.2	-11.5
PBT	60.6	52.8	95.5	49.3
Income tax expense	-10.2	-16.9	-19.0	-16.0
Net profit of the period	50.4	35.9	76.5	33.3
Actuarial loss/gain on retirement benefit	-1.2	-2.9	-2.9	0.0
Comprehensive income	49.3	33.1	73.6	33.3

Statement of cash flow				
FY to Dec (KHRbn)	2016	2017	2018	2019
Operating cash flow	100.6	83.4	83.1	224.7
Net profit	50.4	35.9	76.5	33.3
Depreciation & amortization	36.0	37.0	43.1	49.7
Change in working capital	17.8	-25.6	26.7	99.6
Others	-3.6	36.1	-63.2	42.1
Investing cash flow	-74.7	-60.1	-98.8	-186.0
Net CAPEX	-135.1	-115.4	-161.8	-200.1
ST investment	46.2	51.6	63.1	15.7
Others	14.2	3.8	-0.1	-1.6
Financing cash flow	-22.0	-23.7	13.1	3.1
Net change in share capital	0.0	0.0	0.0	0.0
Net change in debt	8.6	-1.0	27.6	10.7
Cash dividend	-13.3	-13.9	-6.5	-2.8
Others	-17.3	-8.7	-8.0	-4.7
Net change in cash & equivalent	3.8	-0.4	-2.6	41.9
Beginning cash & equivalent	12.6	16.4	16.0	13.4
Ending cash & equivalent	16.4	16.0	13.4	55.2

Statement of financial position				
FY to Dec (KHRbn)	2016	2017	2018	2019
Non-current assets	1,038.6	1,129.5	1,230.0	1,387.4
Fixed assets	1,036.4	1,124.2	1,215.7	1,374.0
Intangible assets	2.0	5.2	14.3	13.4
Other non-current assets	0.3	0.1	0.0	0.0
Current assets	259.1	232.5	219.4	216.9
Inventories	48.4	64.5	97.0	103.8
Trade receivables	35.0	44.8	18.5	13.6
Cash & cash equivalent	16.4	16.0	13.4	55.2
Short-term investment	148.3	96.7	33.6	17.9
Other current assets	11.0	10.5	56.9	26.5
Total assets	1,297.7	1,362.0	1,449.4	1,604.3
Non-current liabilities	399.5	408.8	411.2	449.8
Long-term debts	251.6	258.3	285.6	303.9
Refundable water deposits	54.9	49.7	56.8	65.4
Other non-current liabilities	93.0	100.8	68.7	80.5
Current liabilities	78.3	114.1	138.9	240.8
Short-term debts	34.7	49.4	42.1	33.1
Trade & other payables	33.4	51.1	82.3	196.7
Other current liabilities	10.2	13.6	14.5	11.0
Total liabilities	477.8	522.9	550.1	690.6
Shareholders' equity	820.0	839.1	899.3	913.7
Share capital	541.2	541.2	541.2	541.2
Capital reserves	229.5	264.8	284.5	339.2
Retained earnings	49.3	33.1	73.6	33.3
Total liabilities & equity	1,297.7	1,362.0	1,449.4	1,604.3
Net debt	269.9	291.6	314.4	281.9
Total debt	286.3	307.6	327.8	337.1

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