

PPWSA (KH1000010004 CSX)

February 27, 2017

Performance Highlights

FY ends Dec (KHR'bn)	2017*	% YoY	4Q17	% QoQ	% YoY
Revenue	232.89	17.5%	64.28	18.5%	37.0%
EBITDA	116.46	24.6%	35.86	45.7%	104.8%
EBIT	79.49	38.3%	26.69	73.0%	218.5%
Net finance expense	-26.66	NA	-2.96	-40.7%	NA
PBT	52.83	-12.8%	23.74	127.4%	4.3%
Net profit	33.31	-33.9%	10.54	28.3%	-47.9%
EBITDA margin	50.0%	2.8%pt	55.8%	10.4%pt	18.5%pt
EBIT margin	34.1%	5.1%pt	41.5%	13.1%pt	23.7%pt
Net margin	14.3%	-11.1%pt	16.4%	1.3%pt	-26.7%pt

Note: *Unaudited
Source: Company, YSC Research

4Q17 review: net profit plunges on forex loss

Water subscription sees stable increase in 4Q17

- Water subscription continued to see stable increase in 4Q17 with 5,900 additional subscribers during the period. The total number of subscribers reached 333,288 at the end of 2017, a 7.22% growth compared to the end of 2016. Of these, 271,317 are household clients (81.41% of total), 55,899 commercial & industrial clients (16.77%), 5,397 houses for rent to garment workers (1.62%), and 675 other clients (government institutions, water distributors, and autonomous state authorities).
- In 2017, PPWSA provided water connection to 22,453 additional subscribers. Subscription classified as houses for rent to garment workers saw the biggest growth, rising 11.23%. This was followed by subscription classified as households which increased by 8.07%.

Top line surges 37% YoY to record high

- The total revenue in 4Q17 surged 37.0% YoY to a record high of KHR64.28bn. While core water sales continued its modest growth of 6.4% YoY, income from construction service and other incomes skyrocketed. Income from construction service came to KHR1.26bn in 4Q17, up from KHR0.20bn in 4Q16. Meanwhile, other incomes, which include service fees from replacement of water meter and other spare parts, reached an all-time high of KHR15.96bn in 4Q17, up from just KHR2.51bn in 4Q16.
- In 2017, revenue totaled to KHR232.89bn, posting a solid increase of 17.5% compared to a year earlier. Driven by additional subscriptions and growing household and industrial demand as a result of rising economic activities, core water sales achieved a sustainable growth level of 8.02%, rising to KHR193.36bn. On the other hand, income from construction services almost doubled to KHR10.74bn thanks to the water-pipeline construction project in Kampot province.

EBITDA in 4Q17 more than doubles; EBIT more than triples

- Between October and December 2017, total operating expense declined by 2.5% YoY mainly due to 96.4% YoY drop in construction service expense, 27.9% YoY decrease in expense related to repair & maintenance, and 26.4% YoY fall in expense on raw materials for household water connections. As a result, EBITDA more than doubled to KHR35.86bn in the fourth quarter of last year from KHR17.51bn during the same period in 2016. In addition, since depreciation and amortization rose modestly by only 0.4% YoY, EBIT tripled to KHR26.69bn.
- Last year, with the robust revenue growth and the modest increase in total operating expense, operating profit reached its record high. EBITDA reached KHR116.46bn (+24.6% YoY), while EBIT amounted to KHR79.49bn (+38.2% YoY).

Net income plunges on forex loss

- As net interest income changed from positive KHR14.37bn to negative KHR2.96bn as a consequence of the fluctuation in forex gain or loss associated with borrowings in foreign currency, pre-tax profit in 4Q17 increased only 4.3% YoY despite more than 200% jump in EBIT. Net income in the last quarter of 2017 declined 47.9% YoY to KHR10.54bn due to a high income tax expense.
- Although operating profit reached a record high, PPWSA's full-year net income plunged 33.9% to KHR33.31bn in 2017 from KHR50.43bn in 2016. As mentioned above, this was due to two main factors: (1) the change from forex gain to forex loss on borrowings; and (2) the high income tax expense paid during the year.

Current mkt. price	KHR 3,800
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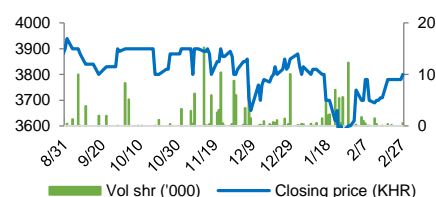
Source: CSX, YSC Research

Stock info

Industry	Utilities (Water)
Market cap (KHRbn)	330.50
Outstanding shares (mn)	87
Majority shareholder	Ministry of Economy & Fin (%)
	85
Avg daily vol. (last 6 months, shr)	1,575
Free floating shares (last 6 months, %)	1.46
Price low/high (last 6 months, KHR)	3,500~3,980
EPS (KHR) (ttm)	384
P/E (x) (ttm)	9.90
P/B (x) (mrq)	0.40
P/B* (x) (mrq)	0.75
EV/EBITDA (x) (ttm)	5.34
D/E (%) (mrq)	62.3

Note: ttm = trailing twelve months; mrq = most recent quarter (4Q17); *Excluding equity of Class A (non-voting) shares.

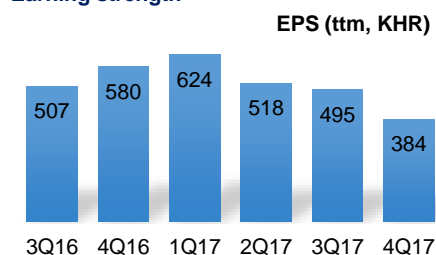
Stock performance



Trading volume and value in 2017

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Jan	37,073	152	1,765	7.3
Feb	5,988	25	299	1.2
Mar	80,804	323	3,848	15.4
Apr	20,455	82	1,136	4.6
May	59,614	229	3,138	12.1
Jun	63,190	241	3,160	12.0
Jul	27,166	104	1,294	4.9
Aug	47,317	185	2,057	8.0
Sep	19,865	77	1,169	4.5
Oct	15,265	59	803	3.1
Nov	66,697	258	3,510	13.6
Dec	29,571	112	1,479	5.6

Earning strength



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Water subscriptions

Client	2017	2016	Change	%Change	2017 %total
Household clients	271,317	251,067	20,250	8.07%	81.41%
Commercial & industrial clients	55,899	54,239	1,660	3.06%	16.77%
Houses for rent to garment workers	5,397	4,852	545	11.23%	1.62%
Others	675	677	-2	-0.30%	0.20%
Total	333,288	310,835	22,453	7.22%	100%

Source: The Company

Revenue breakdown (2017, 2016, change, growth, share of total)

Source	2017 (KHR'mn)	2016 (KHR'mn)	Change (KHR'mn)	%Change	2017 % total
Water Sales	193,356	179,007	14,350	8.0%	83.0%
Construction Services	10,742	5,421	5,321	98.2%	4.6%
Other Incomes	28,795	13,753	15,043	109.4%	12.4%
Total revenue	232,893	198,180	34,713	17.5%	100.0%

Source: The Company

Net interest income affected by fluctuation in foreign exchange

KHR'mn	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Interest income	3,257	1,644	1,793	13,500	2,291	1,431	1,386	1,038
Interest expense	-6,428	-4,332	-7,180	869	-2,709	-19,727	-6,374	-3,994
Net interest income	-3,171	-2,688	-5,388	14,369	-419	-18,296	-4,989	-2,956

Source: The Company

Financial Ratios

FY to Dec	2013	2014	2015	2016	2017*
Per-share ratios					
EPS (KHR)	438	526	655	567	384
BPS (KHR)	7,955	8,431	8,988	9,405	9,591
BPS* (KHR, excluding Class A)	3,458	3,935	4,491	4,908	5,094
EBITDA/shr (KHR)	874	905	1,027	1,075	1,339
SPS (KHR)	1,743	1,800	2,200	2,279	2,678
DPS (KHR)	55	106	153	160	-

Valuation ratios on February 27, 2017

P/E (x)	8.68	7.22	5.80	6.71	9.90
P/B (x)	0.48	0.45	0.42	0.40	0.40
P/B** (x, excluding Class A)	1.10	0.97	0.85	0.77	0.75
EV/EBITDA (x)	8.18	7.91	6.97	6.66	5.34
P/S (x)	2.18	2.11	1.73	1.67	1.42
Dividend yields (%)	1.44	2.77	4.01	4.21	-
Dividend payout (%)	12.50	20.00	23.30	28.24	-

Profitability ratios

Gross margin (%)	68.51	71.38	66.96	68.66	71.04
EBITDA margin (%)	50.18	50.27	46.66	47.16	50.01
EBIT (%)	34.00	28.52	28.56	29.00	34.13
Net margin (%)	25.56	29.39	28.19	25.45	14.30
ROE (%)	5.72	6.43	7.10	6.29	4.02
ROE* (% , excluding Class A)	13.54	14.17	14.62	12.27	7.60
ROA (%)	3.69	4.06	4.48	3.97	2.50

Efficiency ratios

Asset turnover (x)	0.14	0.14	0.16	0.16	0.18
Receivables turnover (x)	5.22	5.18	5.89	5.72	5.84
Payable turnover (x)	1.27	1.74	2.59	2.05	1.60

Financial strength

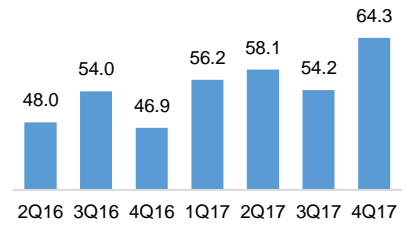
Debt/equity (%)	58.1	58.4	58.2	58.3	62.3
Interest coverage (x)	35.2	36.0	34.7	32.9	34.7
Inter & ST debt cover (x)	4.3	3.8	2.8	3.4	2.4
Current ratio (x)	1.3	1.1	1.1	1.1	1.0
Quick ratio (x)	4.5	5.4	5.1	3.3	2.0
Net debt/EBITDA (x)	3.8	4.6	4.2	2.7	1.4

Note: *Unaudited

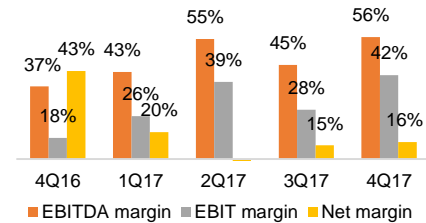
**Excluding capital of Class A (non-voting) shares of KHR391bn

Source: The Company, YSC Research

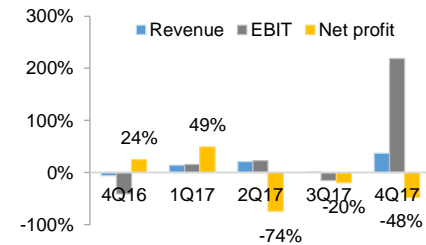
Quarterly revenue (KHR'bn)



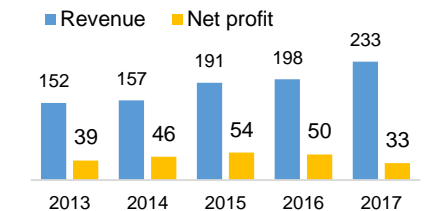
Quarterly profit margin



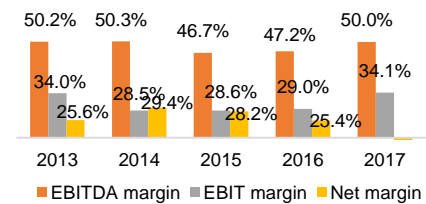
Quarterly revenue and profit growth (YoY)



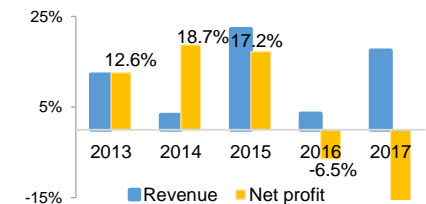
Annual revenue and net profit (KHR'bn)



Annual profit margin



Annual profit growth (YoY)



Condensed Financial Statements

Statement of comprehensive income				
FY to Dec (KHRbn)	2014	2015	2016	2017*
Revenues	156.5	191.3	198.2	232.9
COGS	-44.8	-63.2	-62.1	-67.4
Gross profit	111.7	128.1	136.1	165.4
Operating expenses	-35.2	-35.8	-43.5	-48.7
Net gain/loss from forex	2.1	-3.1	0.9	-0.3
EBITDA	78.7	89.3	93.5	116.5
Depreciation & Amortization	-34.0	-34.6	-36.0	-37.0
EBIT	44.7	54.6	57.5	79.5
Interest income	23.1	33.2	20.2	6.1
Interest expense	-11.7	-19.9	-17.1	-32.8
PBT	56.1	68.0	60.6	52.8
Income tax expense	-10.1	-14.1	-10.2	-19.5
Net profit of the period	46.0	53.9	50.4	33.3
Actuarial loss/gain on retirement benefit	-0.3	3.0	-1.2	0.1
Comprehensive income	45.7	56.9	49.3	33.4

Statement of cash flow				
FY to Dec (KHRbn)	2014	2015	2016	2017*
Operating cash flow	84.2	78.7	100.6	80.3
Net profit	46.0	53.9	50.4	33.3
Depreciation & amortization	34.0	34.5	36.0	17.0
Change in working capital	1.9	-10.2	17.8	0.6
Others	2.3	0.5	-3.6	29.4
Investing cash flow	-101.1	-81.5	-74.7	-79.3
Net CAPEX	-86.6	-91.8	-135.1	-86.9
ST investment	-22.1	1.9	46.2	5.2
Others	7.5	8.5	14.2	2.5
Financing cash flow	21.3	0.3	-22.0	-4.4
Net change in share capital	0	0	0.0	0.0
Net change in debt	38.6	19.5	8.6	9.2
Cash dividend	-4.8	-9.1	-13.3	-9.1
Others	-12.5	-10.0	-17.3	-4.5
Net change in cash & equivalent	4.4	-2.4	3.8	-3.4
Beginning cash & equivalent	10.6	15.0	12.6	15.0
Ending cash & equivalent	15.0	12.5	16.4	11.6

Statement of financial position				
FY to Dec (KHRbn)	2014	2015	2016	2017*
Non-current assets	878.1	939.4	1,038.6	1,129.5
Fixed assets	874.7	936.7	1,036.4	1,124.2
Intangible assets	2.9	2.3	2.0	5.2
Other non-current assets	0.5	0.4	0.3	0.1
Current assets	288.0	300.8	259.1	232.5
Inventories	40.5	53.7	48.4	64.5
Trade receivables	30.6	34.3	35.0	44.8
Cash & cash equivalent	15.0	12.6	16.4	16.0
Short-term investment	196.3	194.5	148.3	96.7
Other current assets	5.5	5.7	11.0	10.5
Total assets	1,166.1	1,240.1	1,297.7	1,362.0
Non-current liabilities	376.6	396.7	399.5	406.0
Long-term debts	251.3	256.4	251.6	258.3
Refundable water deposits	36.3	46.3	54.9	49.7
Other non-current liabilities	89.1	94.0	93.0	98.0
Current liabilities	53.3	59.5	78.3	116.7
Short-term debts	28.8	28.5	34.7	49.4
Trade & other payables	21.5	27.3	33.4	51.1
Other current liabilities	2.9	3.6	10.2	16.2
Total liabilities	429.9	456.2	477.8	522.6
Shareholders' equity	736.2	784.0	820.0	839.4
Share capital	541.2	541.2	541.2	541.2
Capital reserves	149.2	185.8	229.5	264.8
Retained earnings	45.7	56.9	49.3	33.3
Total liabilities & equity	1,166.1	1,240.1	1,297.7	1,362.0
Net debt	265.1	272.3	269.9	291.6
Total debt	280.1	284.9	286.3	307.6

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