

**PPWSA (KH100010004 CSX)**

February 03, 2020

**Performance Highlights**

FY ends Dec (KHR'bn)	3Q20	% QoQ	% YoY	9M20	% YoY
Revenue	86.59	15.3%	39.5%	237.48	36.0%
EBITDA	50.42	27.3%	45.3%	134.15	41.6%
EBIT	37.90	41.1%	70.8%	96.22	66.9%
Net finance income	-6.82	59.3%	N/A	-9.41	638.4%
PBT	31.08	37.6%	14.8%	86.81	54.0%
Net profit	27.14	71.5%	25.3%	69.57	76.9%
EBITDA margin	58.2%	5.5%pt	2.3%pt	56.5%	2.2%pt
EBIT margin	43.8%	8.0%pt	8.0%pt	40.5%	7.5%pt
Net margin	31.3%	10.3%pt	-3.6%pt	29.3%	6.8%pt

Source: Company, YSC Research

**3Q20 review: net profit soars 72% QoQ and 25% YoY**

**Number of commercial & industrial clients increases 10.4% YoY**

- Water subscription totaled 405,627 connections at the end of September 2020, up 4.9% YoY. Subscription from commercial & industrial clients posted a double-digit growth of 10.4% from the end of September 2019 to 67,142 connections, representing 16.6% of total connections. On the other hand, household subscription continued to grow modestly by 1.1% QoQ and 3.9% YoY to 331,946 connections.

**Top line surges 15.3% QoQ and 39.5% YoY**

- In 3Q20, total revenue reached a record high of KHR86.6bn, up 15.3% QoQ and 39.5% YoY. Water sales contributed the most to the YoY growth with the core revenue increasing KHR 15.29bn or 27.4% compared to 3Q19, driven by the revised water tariff. The average water tariff per cubic meter was up from KHR887 to KHR1,053 for households, and from KHR1,190 to KHR1,719 for commercial & industrial clients. Meanwhile, income from construction services more than quadrupled from KHR1.86bn in 3Q19 to KHR7.84bn in 3Q20 thanks to rising demand for construction works outside of the company's service coverage area. Other incomes—including water meter maintenance charge, sales of water connection materials, penalty charging, and others—jumped 73% YoY from KHR4.45bn to KHR7.69bn.
- In the first nine months of 2020, PPWSA collected KHR270.5bn in total revenue, reporting a growth of 36% YoY. The nine-month revenue was more than the record-high annual revenue in 2018 of KHR265.1bn. Water sales contributed 78% to the top line's YoY increase as the core revenue soared 28.8% YoY, while income from construction services and other incomes contributed 15% and 7%, respectively.

**Operating profit margin expands to highest in seven quarters**

- EBITDA and EBIT in 3Q20 reached KHR50.42bn and KHR37.90bn, respectively. With the cost of goods and services rising only 30.1% YoY, compared to total revenue's growth of 39.5%, gross profit surged 42.7% YoY. In addition, general administrative expenses (excluding depreciation and amortization) witnessed a modest increase of 11.8% YoY, while depreciation and amortization expenses were almost unchanged. As a result, EBITDA climbed 45.4%, and EBIT jumped 70.8% YoY. EBITDA margin expanded 2.3%pts YoY to 58.2%, while EBIT margin widened by 8.0%pts YoY to 43.8%, the highest in the last seven quarters.
- In the first nine months of 2020, the company generated KHR134bn in EBITDA and KHR96bn in EBIT, seeing a record-high operating profit growth of 66.9% YoY.

**Bottom line grows 25% YoY**

- Despite EBIT jumping almost 71% YoY, pre-tax profit in 3Q20 were up only 14.8%YoY due to net interest income turning into a negative KHR6.82bn from a positive KHR4.88bn in 3Q19, which was driven by a significant unrealized forex loss on borrowings. Net profit earned between June and September 2020 came to KHR27bn, an increase of 25% YoY.
- Between January and September of 2020, PPWSA earned KHR69.6bn in net profit, a 77% growth compared to the same period in 2019. Earnings per share (EPS) in the first nine months amounted to an all-time high of KHR800.

**Closing Price** **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)	15,505
Free floating shares (last 6 months, %)	2.16
Price low/high (last 6 months, KHR)	5500 ~ 6400
EPS (KHR)	730.50
P/E (x)	8.21
P/E* (x, adj. earnings)	7.26
P/B (x)	0.55
P/B** (x)	0.93
EV/EBITDA (x)	6.37
D/E (%)	85.33

\*Based on earnings adjusted for forex gain/loss

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

**Stock performance**



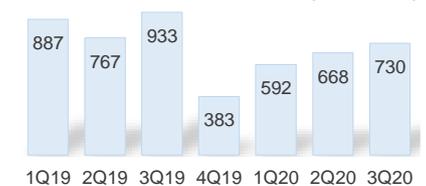
**Trading volume/value in last 12 months**

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
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
Sep-20	26,213	159	1,456	9
Oct-20	43,007	255	2,264	13
Nov-20	53,332	308	2,807	16
Dec-20	67,239	396	2,923	17
Jan-21	43,110	266	2,269	14

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	3Q20	3Q19	Change	%Change	3Q20 % total
Household clients	331,946	319,372	12,574	3.9%	81.8%
Commercial & industrial clients	67,142	60,804	6,338	10.4%	16.6%
Others	6,539	6,485	54	0.8%	1.6%
<b>Total</b>	<b>405,627</b>	<b>386,661</b>	<b>18,966</b>	<b>4.9%</b>	<b>100.0%</b>

Source: The Company

**Water tariff**

Type of Clients	Water Consumption per month	Old Tariff per m3	New Tariff per m3	%Change
<b>Households</b>	• 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%
	• Over 100m3	KHR 1,250	KHR 2,200	76.0%
<b>Commercial &amp; Industry</b>	• 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%
	• Over 500m3	KHR 1,450	KHR 2,400	65.5%
	<b>Govt institutions &amp; Others</b>		KHR 1,030	KHR 2,500

Note: New tariff applicable from Jan 2020

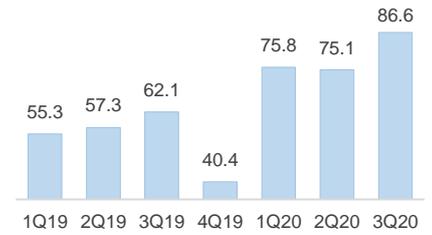
Source: The Company

**Financial Ratios**

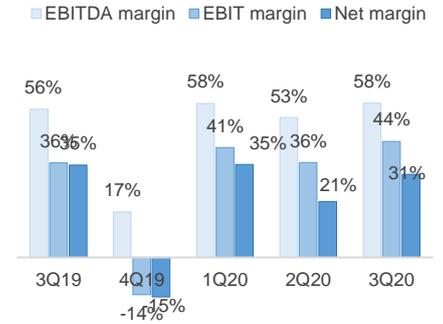
FY to Dec	2016	2017	2018	2019	3Q20 (tam)
<b>Per-share ratios</b>					
EPS (KHR)	580	413	880	383	730
EPS* (KHR, adj. earnings)	583	614	808	390	826
BPS (KHR)	9,405	9,588	10,176	10,351	10,921
BPS** (KHR, excluding Class A)	4,908	5,091	5,679	5,855	6,424
EBITDA/sir (KHR)	1,075	1,339	1,586	1,169	1,622
SPS (KHR)	2,279	2,678	3,048	2,472	3,196
DPS (KHR)	160	154	218	230	-
<b>Valuation ratios</b>					
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	8.02
P/E* (x, adj. earnings)	7.04	6.28	5.20	15.38	7.09
P/B (x)	0.44	0.40	0.41	0.58	0.54
P/B** (x, excluding Class A)	0.84	0.76	0.74	1.02	0.91
EV/EBITDA (x)	5.12	4.56	4.68	7.73	6.28
P/S (x)	1.80	1.44	1.38	2.43	1.83
Dividend yields (%)	3.90	3.99	5.18	3.83	-
Dividend payout (%)	28.24	40.50	25.71	60.09	-
<b>Profitability ratios</b>					
Gross margin (%)	68.66	71.04	75.91	74.21	74.42
EBITDA margin (%)	47.16	50.01	52.03	47.28	50.76
EBIT (%)	29.00	34.13	35.79	24.17	32.58
Net margin (%)	25.45	15.43	28.86	15.48	22.86
ROE (%)	6.29	4.33	8.80	3.67	6.69
ROE** (% , excluding Class A)	12.27	8.20	16.00	6.46	11.37
ROA (%)	3.97	2.70	5.44	2.18	3.67
<b>Efficiency ratios</b>					
Asset turnover (x)	0.16	0.18	0.19	0.14	0.17
Receivables turnover (x)	5.72	5.84	8.38	13.43	8.80
Payable turnover (x)	2.05	1.60	0.96	0.40	0.51
<b>Financial strength</b>					
Debt/equity (%)	58.3	62.3	61.2	75.6	85.3
Net debt/equity (%)	14.8	23.2	31.2	28.9	39.1
Interest coverage (x)	3.4	2.4	5.9	4.5	5.9
Inter & ST debt cover (x)	1.1	1.0	1.6	1.2	1.8
Current ratio (x)	3.3	2.0	1.6	0.9	1.2
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	2.7

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

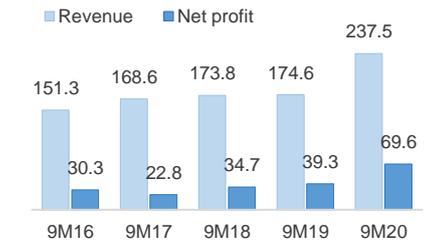
**Quarterly revenue (KHR'bn)**



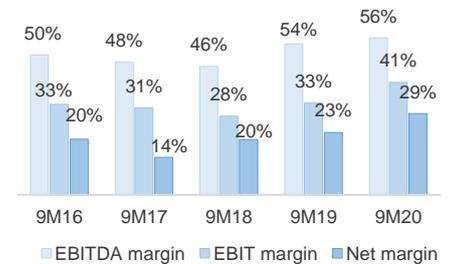
**Quarterly profit margin**



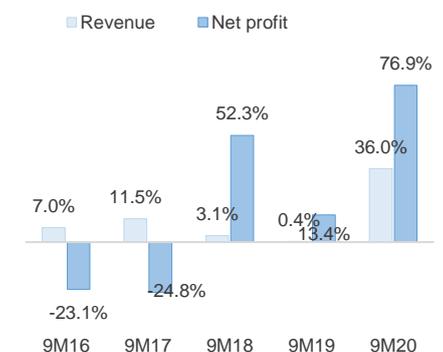
**Nine-month revenue and net profit (KHR'bn)**



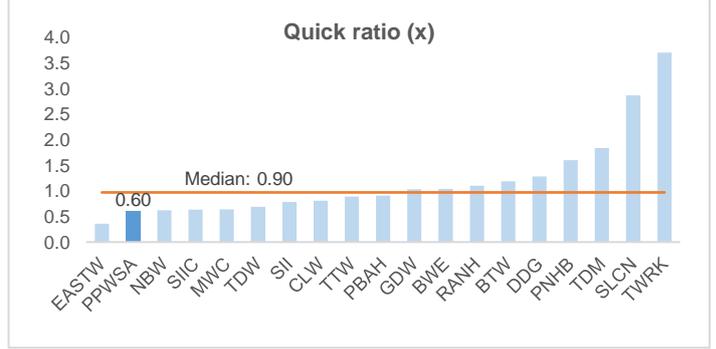
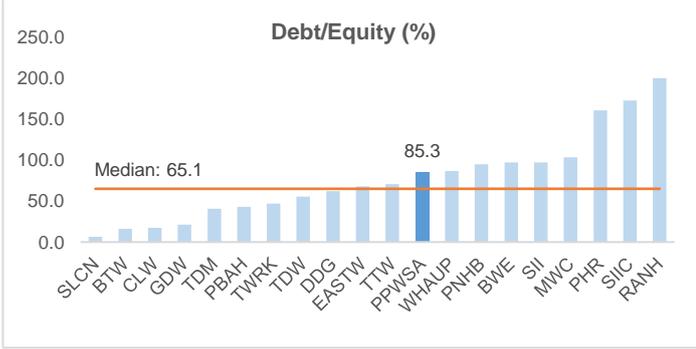
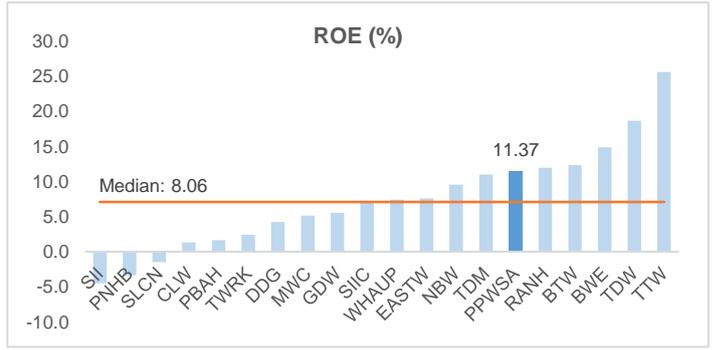
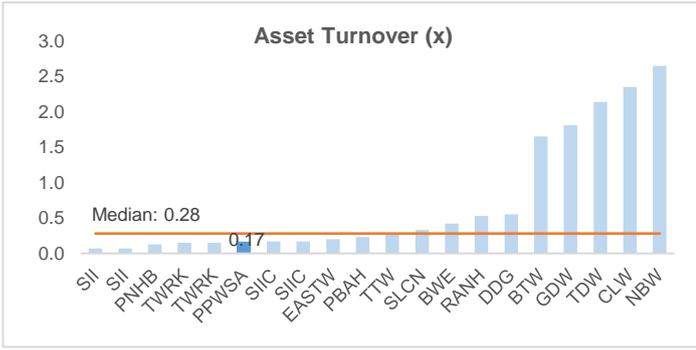
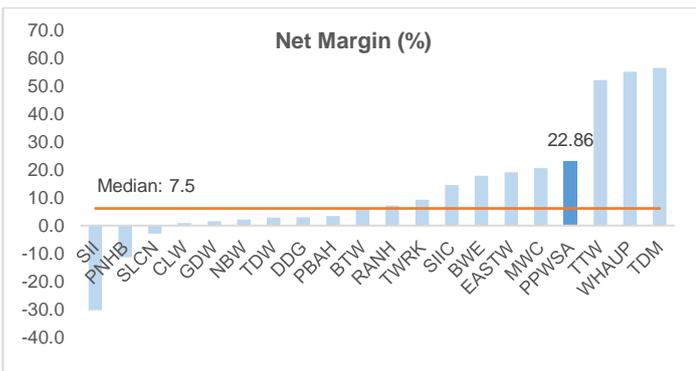
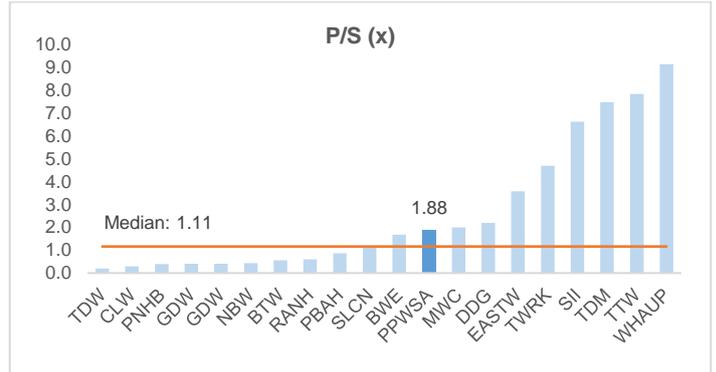
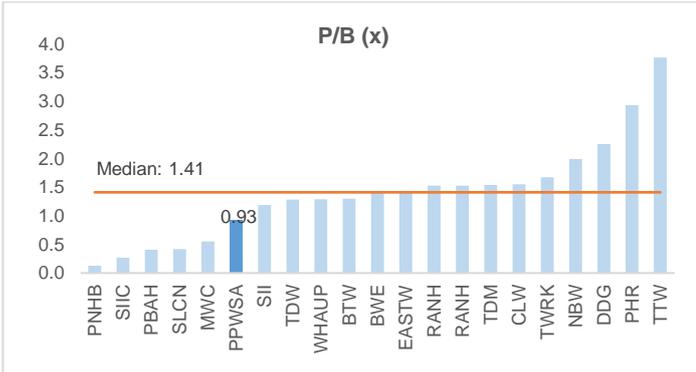
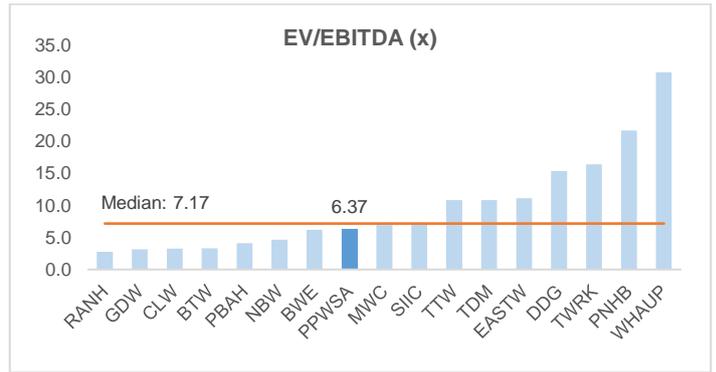
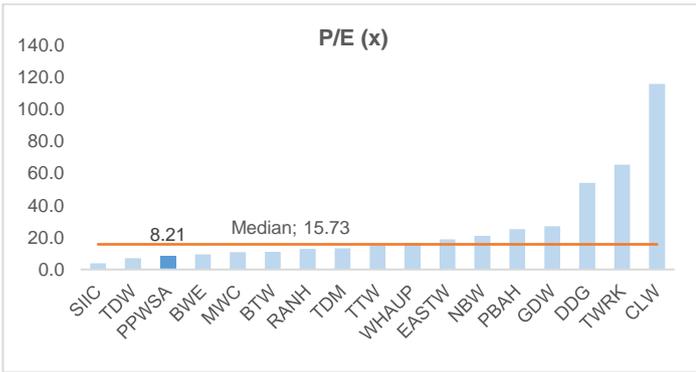
**Nine-month profit margin**



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



**ASEAN Peers Comparison**



Note: All figures are trailing-twelve-month figures; Reuters data is obtained as of Feb 03, 2021; PPWSA's price data is as of Feb 03, 2021  
Source: Reuters, 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	9M20
<b>Revenues</b>	<b>232.9</b>	<b>265.1</b>	<b>215.0</b>	<b>237.5</b>
COGS	-67.4	-63.9	-55.5	-55.4
Gross profit	165.4	201.2	159.6	182.1
Operating expenses	-48.7	-62.3	-59.4	-47.3
Net gain/loss from forex	-0.3	-0.9	1.5	-0.6
<b>EBITDA</b>	<b>116.5</b>	<b>137.9</b>	<b>101.7</b>	<b>134.2</b>
Depreciation & Amortization	-37.0	-43.1	-49.7	-37.9
<b>EBIT</b>	<b>79.5</b>	<b>94.9</b>	<b>52.0</b>	<b>96.2</b>
Interest income	6.1	16.8	8.8	3.2
Interest expense	-32.8	-16.2	-11.5	-12.6
<b>PBT</b>	<b>52.8</b>	<b>95.5</b>	<b>49.3</b>	<b>86.8</b>
Income tax expense	-16.9	-19.0	-16.0	-17.2
<b>Net profit of the period</b>	<b>35.9</b>	<b>76.5</b>	<b>33.3</b>	<b>69.6</b>
Actuarial loss/gain on retirement benefit	-2.9	-2.9	0.0	0.0
<b>Comprehensive income</b>	<b>33.1</b>	<b>73.6</b>	<b>33.3</b>	<b>69.6</b>

Statement of cash flow				
FY to Dec (KHRbn)	2017	2018	2019	9M20
<b>Operating cash flow</b>	<b>83.4</b>	<b>83.1</b>	<b>224.7</b>	<b>5.2</b>
Net profit	35.9	76.5	33.3	86.8
Depreciation & amortization	37.0	43.1	49.7	37.9
Change in working capital	-25.6	26.7	99.6	-120.1
Others	36.1	-63.2	42.1	0.5
<b>Investing cash flow</b>	<b>-60.1</b>	<b>-98.8</b>	<b>-186.0</b>	<b>-110.7</b>
Net CAPEX	-115.4	-161.8	-200.1	-90.6
ST investment	51.6	63.1	15.7	-18.1
Others	3.8	-0.1	-1.6	-2.0
<b>Financing cash flow</b>	<b>-23.7</b>	<b>13.1</b>	<b>3.1</b>	<b>111.7</b>
Net change in share capital	0.0	0.0	0.0	0
Net change in debt	-1.0	27.6	10.7	128.2
Cash dividend	-13.9	-6.5	-2.8	-14.9
Others	-8.7	-8.0	-4.7	-1.6
<b>Net change in cash &amp; equivalent</b>	<b>-0.4</b>	<b>-2.6</b>	<b>41.9</b>	<b>6.2</b>
Beginning cash & equivalent	16.4	16.0	13.4	55.2
Ending cash & equivalent	16.0	13.4	55.2	61.4

Statement of financial position				
FY to Dec (KHRbn)	2017	2018	2019	3Q20
<b>Non-current assets</b>	<b>1,129.5</b>	<b>1,230.0</b>	<b>1,387.4</b>	<b>1,511.3</b>
Fixed assets	1,124.2	1,215.7	1,374.0	1,497.9
Intangible assets	5.2	14.3	13.4	13.4
Other non-current assets	0.1	0.0	0.0	0.0
<b>Current assets</b>	<b>232.5</b>	<b>219.4</b>	<b>216.9</b>	<b>273.9</b>
Inventories	64.5	97.0	103.8	82.0
Trade receivables	44.8	18.5	13.6	44.1
Cash & cash equivalent	16.0	13.4	55.2	61.4
Short-term investment	96.7	33.6	17.9	36.0
Other current assets	10.5	56.9	26.5	50.4
<b>Total assets</b>	<b>1,362.0</b>	<b>1,449.4</b>	<b>1,604.3</b>	<b>1,785.2</b>
<b>Non-current liabilities</b>	<b>408.8</b>	<b>411.2</b>	<b>449.8</b>	<b>587.9</b>
Long-term debts	258.3	285.6	303.9	439.6
Refundable water deposits	49.7	56.8	65.4	64.3
Other non-current liabilities	100.8	68.7	80.5	84.0
<b>Current liabilities</b>	<b>114.1</b>	<b>138.9</b>	<b>240.8</b>	<b>234.0</b>
Short-term debts	49.4	42.1	33.1	34.2
Trade & other payables	51.1	82.3	196.7	183.6
Other current liabilities	13.6	14.5	11.0	16.2
<b>Total liabilities</b>	<b>522.9</b>	<b>550.1</b>	<b>690.6</b>	<b>822.0</b>
<b>Shareholders' equity</b>	<b>839.1</b>	<b>899.3</b>	<b>913.7</b>	<b>963.3</b>
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	69.6
<b>Total liabilities &amp; equity</b>	<b>1,362.0</b>	<b>1,449.4</b>	<b>1,604.3</b>	<b>1,785.2</b>
Net debt	291.6	314.4	281.9	412.5
Total debt	307.6	327.8	337.1	473.9

## Yuanta Securities Network



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