

PPWSA (KH1000010004 CSX)

Performance Highlights

FY ends Dec (KHR'bn)	3Q16	% QoQ	% YoY	1-3Q16	% YoY
Revenue*	54.0	12.4%	10.5%	151.3	7.0%
EBITDA	27.2	-0.6%	23.5%	76.2	13.7%
EBIT	18.2	-1.5%	36.6%	49.3	19.7%
Net finance cost	5.4	NA	7599.8%	11.2	234.8%
PBT	12.8	-18.9%	-4.4%	38.1	-23.1%
Net profit	10.2	-17.8%	-3.8%	30.3	-23.1%
EBITDA margin	50.4%	-6.6%pt	5.3%pt	50.4%	2.9%pt
EBIT margin	33.7%	-4.8%pt	6.4%pt	32.6%	3.5%pt
Net margin	19.0%	-7.0%pt	-2.8%pt	20.0%	-7.8%pt

Note: *not including interest income
Source: Company, YSC Research

3Q16 review: earnings decline as net finance cost soars

Total subscriptions see stable increase

- PPWSA acquired 4,837 new subscriptions during 3Q16: 3,972 from household clients, 816 from commercial & industrial clients, and 37 from houses for garment workers. The increase in total subscriptions was quite stable, with the company gaining more than 4,000 new clients per quarter at least over the last two years. At the end of 3Q16, the total number of subscribers came to 303,480, up 14,456 compared to end of 2015 or a 5.0% increase YTD.

Top-line grows in double-digits for first time in three quarters

- With subscriptions continuing to increase steadily, total revenue (excluding finance income) in 3Q16 reached a record-high of KHR54.0bn (+10.5% YoY), posting double-digit growth for the first time in three quarters (+7.9% YoY in 1Q16 and +2.6% YoY in 2Q16). Strong revenue growth in the third quarter was driven by a 15.1% YoY rise in core water sales and a 108.7% YoY jump in other income thanks to strong sales of water meters and other spare parts. Meanwhile, the additional income from construction services continued to decline by 68.2% YoY, as the company has completed major constructions projects in Kampong Cham and Battambang provinces.
- In the first nine months of 2016, PPWSA's total revenue came to KHR151.3bn, rising only 7.0% YoY due to less additional income. While core water sales' share of revenue expanded by 5.1%pt YoY from 84.0% to 89.1%, the share of construction services decreased from 10.5% to 3.5%.

Operating profit in 3Q16 surges 36.6% YoY

- Gross profit in 3Q16 climbed 20.1% YoY, while EBITDA surged 23.5% YoY thanks to a 6.8% YoY drop in the cost of goods sold, as a result of a significant decrease in expense related to construction services. With depreciation and amortization rising slightly by 3.5%, EBIT surged 36.6% YoY to KHR18.2bn, registering a margin of 33.7% (+6.4%pt YoY).
- Over Jan~Sep 2016, EBITDA rose 13.7%YoY and EBIT 19.7% YoY to KHR49.3bn.

Earnings decline as net finance cost soars

- Despite an improvement in business operations evidenced by solid growth in revenue and operating profit, PPWSA's profitability was largely affected by increased finance cost. With net finance cost soaring by more than KHR5.4bn, pre-tax profit fell 4.4% YoY to KHR12.8bn, while net profit dropped 3.8% YoY to KHR10.2bn in 3Q16. The change in net finance cost is closely linked to fluctuations in foreign exchange, as the company does not use any financial derivatives to hedge against currency risk.
- Over Jan~Sep 2016, net profit plunged 23.1% YoY, driven by the KHR19.6bn increase in net finance cost.

December 15, 2016

Current mkt. price **KHR 4,020**

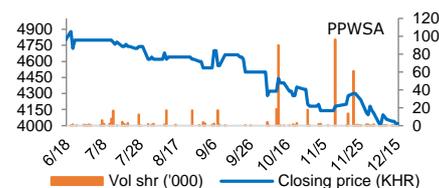
Source: CSX, YSC Research

Stock info

Industry	Utilities (Water)
Market cap (KHRbn)	349.4
Outstanding shares (mn)	87
Majority shareholder	Ministry of Economy & Fin (%)
	85
Avg daily vol. (last 6 months, shr)	3,660
Free floating shares (last 6 months, %)	3.51
Price low/high (last 6 months, KHR)	4,020-4,880
EPS (KHR) (ttm)	507
P/E (x) (ttm)	7.93
P/B (x) (mrq)	0.44
P/B* (x) (mrq)	0.86
EV/EBITDA (x) (ttm)	6.42
D/E (%) (mrq)	60.71

Note: ttm = trailing twelve months (4Q15-3Q16); mrq = most recent quarter (3Q16); *Excluding equity of Class A (non-voting) shares.

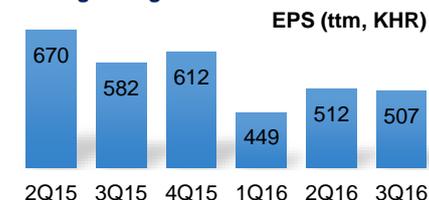
Stock performance



Trading volume and value in 2016

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Jan	14,761	73	777	3.9
Feb	148,759	722	7,438	36.1
Mar	13,614	66	619	3.0
Apr	17,227	83	957	4.6
May	9,969	47	586	2.8
Jun	12,070	58	575	2.8
Jul	57,305	273	2,729	13.0
Aug	45,949	212	1,998	9.2
Sep	24,635	112	1,173	5.4
Oct	135,764	595	7,145	31.3
Nov	179,698	757	9,983	42.1

Earning strength



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Water subscriptions

Client	3Q16	2015	YTD Chg	YTD % Chg	3Q16 %total
Household clients	244,286	232,332	11,954	5.1%	80.5%
Commercial & industrial clients	53,728	51,256	2,472	4.8%	17.7%
Public institutions & autonomous state authorities	654	796	-142	-17.8%	0.2%
Private distributors	12	13	-1	-7.7%	0.0%
Distribution representative	30	24	6	25.0%	0.0%
House for garment workers	4,770	4,603	167	3.6%	1.6%
Total	303,480	289,024	14,456	5.0%	100.0%

Source: The Company

Revenue breakdown (1~3Q16, 1~3Q15, change, growth, share of total)

Source	1~3Q16 (KHR'mn)	1~3Q15 (KHR'mn)	Chg (KHR'mn)	%Chg	1~3Q16 %total
Water Sales	134,791	118,660	16,130	13.6%	89.1%
Construction Services	5,219	14,814	-9,595	-64.8%	3.5%
Other Incomes	11,244	7,836	3,408	43.5%	7.4%
Total revenue	151,254	141,311	9,943	7.0%	100.0%

Source: The Company

Net finance income affected by fluctuation in foreign exchange

Finance income/cost (KHR'mn)	1~3Q16	1~3Q15	1~3Q16-1~3Q15 Chg	3Q16	3Q15	3Q16-3Q15 Chg
Finance income	6,694	25,602	-18,909	1,793	2,796	-1,003
Finance cost	17,941	17,262	679	7,180	2,724	4,456
Net finance income	-11,247	8,341	-19,587	-5,388	72	-5,459

Source: The Company

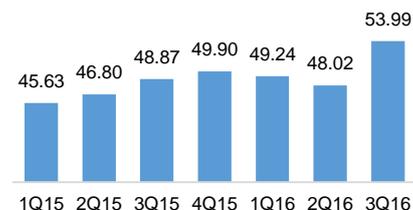
Financial Ratios

FY to Dec	2012	2013	2014	2015	3Q16 (ttm)
Per-share ratios					
EPS (KHR)	396	438	526	655	507
BPS (KHR)	7,568	7,955	8,431	8,988	9,190
BPS* (KHR, excluding Class A)	3,071	3,458	3,935	4,491	4,693
EBITDA/shr (KHR)	737	874	905	1,027	1,142
SPS (KHR)	1,554	1,743	1,800	2,200	2,313
DPS (KHR)	28	55	106	153	-
Valuation ratios, at December 15, 2016					
P/E (x)	10.16	9.18	7.64	6.14	7.93
P/B (x)	0.53	0.51	0.48	0.45	0.44
P/B* (x, excluding Class A)	1.31	1.16	1.02	0.90	0.86
EV/EBITDA (x)	9.96	8.39	8.11	7.14	6.42
P/S (x)	2.59	2.31	2.23	1.83	1.74
Dividend yields (%)	0.69	1.36	2.62	3.80	-
Dividend payout (%)	7.00	12.50	20.00	23.30	-
Profitability ratios					
Gross margin (%)	67.43	68.51	71.38	66.96	69.38
EBITDA margin (%)	47.41	50.18	50.27	46.66	49.36
EBIT (%)	31.60	34.00	28.52	28.56	31.62
Net margin (%)	25.47	25.56	29.39	28.19	23.12
ROE (%)	5.22	5.57	6.25	6.88	5.81
ROE* (% , excluding Class A)	12.82	12.74	13.33	13.73	11.35
ROA (%)	3.44	3.53	3.95	4.35	3.61
Efficiency ratios					
Asset turnover (x)	0.14	0.14	0.14	0.16	0.16
Receivables turnover (x)	3.95	5.22	5.18	5.89	5.20
Payable turnover (x)	1.16	1.27	1.74	2.59	2.13
Financial strength					
Debt/equity (%)	51.6	58.1	58.4	58.2	60.7
Interest coverage (x)	29.2	35.2	36.0	34.7	36.0
Inter & ST debt cover (x)	6.5	4.3	3.8	2.8	3.1
Current ratio (x)	2.0	1.3	1.1	1.1	1.1
Quick ratio (x)	4.1	4.5	5.4	5.1	3.6
Net debt/EBITDA (x)	3.1	3.8	4.6	4.2	0.8

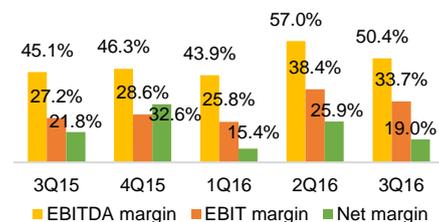
Note: *Excluding capital of Class A (non-voting) shares of KHR391bn

Source: YSC Research

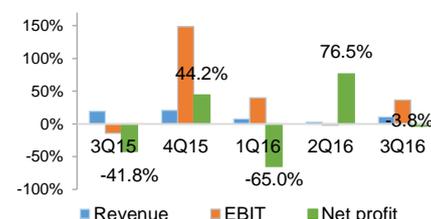
Quarterly revenue (KHR'bn)



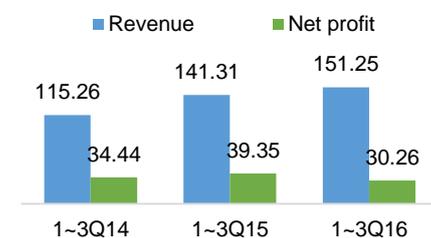
Quarterly profit margin



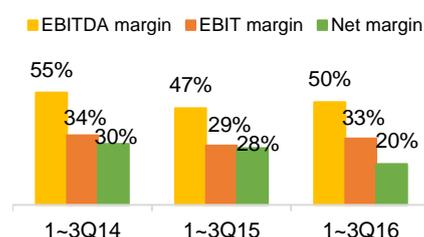
Quarterly revenue and profit growth (YoY)



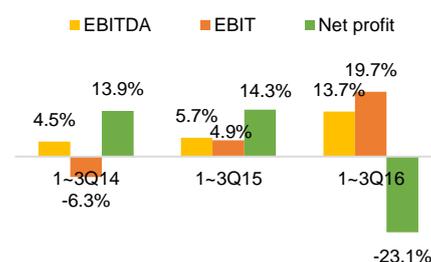
Nine-month revenue and net profit (KHR'bn)



Nine-month profit margin



Nine-month profit growth (YoY)



Condensed Financial Statements

Statement of comprehensive income				
FY to Dec (KHRbn)	2013	2014	2015	1~3Q16
Revenues	151.6	156.5	191.3	151.3
COGS	-47.7	-44.8	-63.2	-46.3
Gross profit	103.8	111.7	128.1	105.0
Operating expenses	-26.5	-35.2	-35.8	-30.6
Net gain/loss from forex	-1.3	2.1	-3.1	1.9
EBITDA	76.1	78.7	89.3	76.2
Depreciation & Amortization	-24.5	-34.0	-34.6	-26.9
EBIT	51.5	44.7	54.6	49.3
Interest income	8.6	23.1	33.2	6.7
Interest expense	-12.0	-11.7	-19.9	-17.9
PBT	48.1	56.1	68.0	38.1
Income tax expense	-9.3	-10.1	-14.1	-7.8
Net profit of the period	38.7	46.0	53.9	30.3
Actuarial loss/gain on retirement benefit	-0.7	-0.3	3.0	0.0
Comprehensive income	38.1	45.7	56.9	30.3

Statement of cash flow				
FY to Dec (KHRbn)	2013	2014	2015	1~3Q16
Operating cash flow	74.8	84.2	78.7	78.3
Net profit	38.7	46.0	55.6	38.1
Depreciation & amortization	24.5	34.0	34.5	26.9
Change in working capital	6.8	1.9	-10.2	12.4
Others	4.8	2.3	-1.1	0.9
Investing cash flow	-112.0	-101.1	-81.5	-63.0
Net CAPEX	-86.9	-86.6	-91.8	-107.0
ST investment	-26.3	-22.1	1.9	38.8
Others	1.2	7.5	8.5	5.2
Financing cash flow	33.8	21.3	0.3	-15.8
Net change in share capital	0	0	0	0
Net change in debt	41.9	38.6	19.5	8.6
Cash dividend	-2.4	-4.8	-9.1	-13.3
Others	-5.7	-12.5	-10.0	-11.2
Net change in cash & equivalent	-3.4	4.4	-2.4	-0.6
Beginning cash & equivalent	14.0	10.6	15.0	12.6
Ending cash & equivalent	10.6	15.0	12.6	12.0

Statement of financial position				
FY to Dec (KHRbn)	2013	2014	2015	3Q16
Non-current assets	846.4	878.1	939.4	1,017.3
Fixed assets	835.6	874.7	936.7	1,015.4
Intangible assets	3.3	2.9	2.3	1.7
Other non-current assets	7.6	0.5	0.4	0.3
Current assets	252.5	288.0	300.6	269.9
Inventories	35.1	40.5	53.7	46.5
Trade receivables	29.8	30.6	34.1	43.0
Cash & cash equivalent	10.6	15.0	12.5	12.0
Short-term investment	174.3	196.3	194.5	155.7
Other current assets	2.8	5.5	5.7	12.7
Total assets	1,099.0	1,166.1	1,239.9	1,287.2
Non-current liabilities	347.2	376.6	400.8	410.6
Long-term debts	228.3	251.3	256.4	263.3
Refundable water deposits	31.2	36.3	46.2	44.0
Other non-current liabilities	87.8	89.1	98.2	103.3
Current liabilities	56.6	53.3	58.9	75.7
Short-term debts	26.7	28.8	28.5	37.0
Trade & other payables	29.9	21.5	27.2	31.1
Other current liabilities	0.0	2.9	3.2	7.6
Total liabilities	403.8	429.9	459.7	486.2
Shareholders' equity	695.2	736.2	780.2	801.0
Share capital	541.2	541.2	541.2	541.2
Capital reserves	115.9	149.2	185.8	229.5
Retained earnings	38.1	45.7	53.2	30.3
Total liabilities & equity	1,099.0	1,166.1	1,239.9	1,287.2
Net debt	244.4	265.1	272.4	288.3
Total debt	255.0	280.1	284.9	300.3

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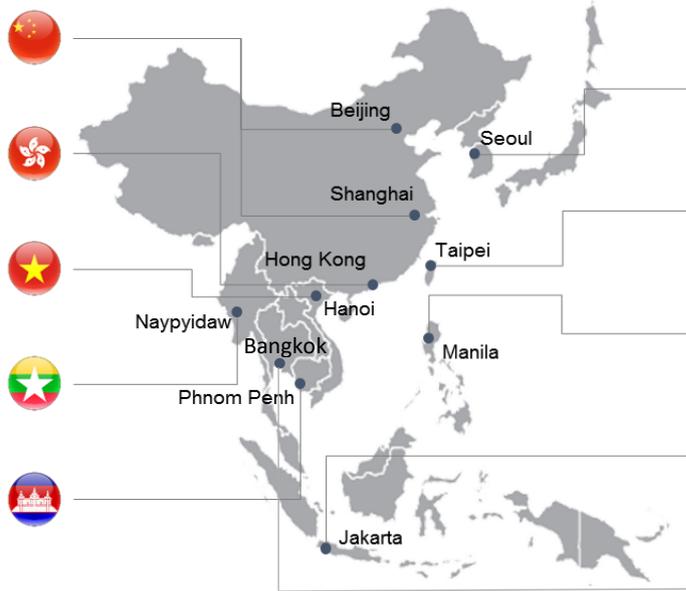
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