

PPWSA (KH100010004 CSX)

November 22, 2017

Performance Highlights

FY ends Dec (KHR'bn)	1~3Q17	% YoY	3Q17	% QoQ	% YoY
Revenue	168.61	11.5%	54.25	-6.7%	0.5%
EBITDA	80.61	5.8%	24.62	-23.1%	-9.5%
EBIT	52.79	7.0%	15.43	-32.0%	-15.1%
Net finance expense	-23.70	110.8%	-4.99	-72.7%	-7.4%
PBT	29.09	-23.6%	10.44	137.7%	-18.4%
Net profit	22.77	-24.8%	8.22	153.8%	-19.7%
EBITDA margin	47.8%	-2.6%pt	45.4%	-9.7%pt	-5.0%pt
EBIT margin	31.3%	-1.3%pt	28.4%	-10.6%pt	-5.2%pt
Net margin	13.5%	-6.5%pt	15.1%	9.6%pt	-3.8%pt

Source: Company, YSC Research

3Q17 review: net profit declines 20% YoY as expenses increase

Water subscription continues to see stable increase in 3Q17

- Water subscription continued to see stable increase in 3Q17 with 5,616 new clients subscribing during the period. Total number of subscriptions reached 327,388 at the end of September, up 5.8% compared to the end of last year. Of these, 266,412 are household clients, 55,257 commercial & industrial clients, and 5,027 houses for rent to garment workers. During the first nine months of the year, household clients rose solidly by 6.7%, while commercial & industrial clients and houses for rent to garment workers were up 2.1% and 4.9%, respectively.

Top line rises modestly in 3Q17

- The total revenue between July and September came to KHR54.25bn, up 0.5% compared to the same period last year. The modest increase was due to a significant drop in other incomes. Core water sales rose 4.4% YoY, and income from construction services was up 5.8% YoY. Meanwhile, other incomes, which include service fees from replacement of water meter and other spare parts, decreased by 32.9% YoY.
- However, the total revenue for the first nine months of 2017 posted a robust growth of 11.5% YoY, reaching KHR168.61bn. Core water sales rose 8.5% YoY to KHR146.29bn, while income from construction services jumped 81.7% YoY as the company has been involved in a water-pipeline construction project in Kampot province since the start of the year.

EBITDA drops 9.5% YoY ; EBIT falls 15.1% YoY

- In the third quarter of the year, revenue growth was modest, while cost showed no sign of decline. Total operating expense rose 8.4% YoY, driven mainly by 11.9% YoY increase in electricity, 10.3% YoY rise in salaries, and 63.5% surge in expense on repair and maintenance. As a result, EBITDA in 3Q17 dropped 9.5% YoY to KHR62.64bn, and EBITDA margin narrowed 5.0%pts YoY. Moreover, EBIT fell even more by 15.1% YoY to KHR15.43bn as depreciation and amortization also increased.
- Nevertheless, thanks to the robust revenue growth in 1H17, the first nine months of 2017 saw EBITDA and EBIT increase 5.8% and 7.0% YoY to KHR80.61bn and KHR52.79bn, respectively.

Net income declines 20% YoY on rising expense

- Net income declined 19.7% to KHR8.22bn in 3Q17 from KHR10.26bn in 3Q16. Despite modest revenue growth, total operating expense continued to rise significantly in 3Q17.
- Between January and September, net income came to KHR22.77bn, a 24.8% decrease compared to a year earlier. Net income growth during the first nine months turned out to be negative despite positive EBIT growth due to jump in net interest expense. This was due to the significant foreign exchange loss on borrowings.

Water subscriptions

Client	1~3Q17	2016 YTD	Change	%Change	1~3Q17 % total
Household clients	266,412	249,701	16,711	6.7%	81.4%
Commercial & industrial clients	55,257	54,120	1,137	2.1%	16.9%
Houses for rent to garment workers	5,027	4,790	237	4.9%	1.5%
Others	692	689	3	0.4%	0.2%
Total	327,388	309,300	18,088	5.8%	100.0%

Source: The Company

Current mkt. price **KHR 3,900**

Source: CSX, YSC Research

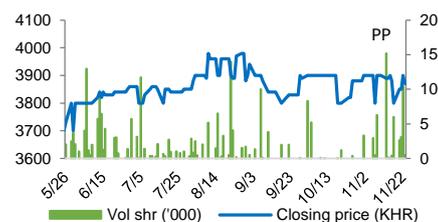
Stock info

Industry	Utilities (Water)
Market cap (KHRbn)	339.20
Outstanding shares (mn)	87
Majority shareholder	Ministry of Economy & Fin (%)
	85
Avg daily vol. (last 6 months, shr)	2,190
Free floating shares (last 6 months, %)	2.03
Price low/high (last 6 months, KHR)	3,700~3,980

EPS (KHR) (ttm)	495
P/E (x) (ttm)	7.88
P/B (x) (mrq)	0.41
P/B* (x) (mrq)	0.78
EV/EBITDA (x) (ttm)	6.47
D/E (%) (mrq)	60.60

Note: ttm = trailing twelve months; mrq = most recent quarter (3Q17); *Excluding equity of Class A (non-voting) shares.

Stock performance

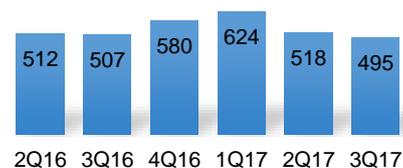


Trading volume and value in 2017

	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	-	-	-	-
Dec	-	-	-	-

Earning strength

EPS (ttm, KHR)



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Revenue breakdown (1H17, 1H16, change, growth, share of total)

Source	1~3Q17 (KHR'mn)	1~3Q16 (KHR'mn)	Change (KHR'mn)	%Change	1~3Q17 %total
Water Sales	146,294	134,791	11,504	8.5%	86.8%
Construction Services	9,484	5,219	4,266	81.7%	5.6%
Other Incomes	12,831	11,244	1,587	14.1%	7.6%
Total revenue	168,610	151,254	17,356	11.5%	100.0%

Source: The Company

Net interest expense affected by fluctuation in foreign exchange

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

Source: The Company

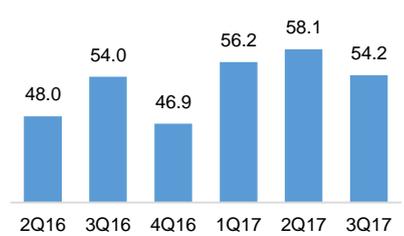
Financial Ratios

FY to Dec	2013	2014	2015	2016	3Q17 (ttm)
Per-share ratios					
EPS (KHR)	438	526	655	567	495
BPS (KHR)	7,955	8,431	8,988	9,405	9,469
BPS* (KHR, excluding Class A)	3,458	3,935	4,491	4,908	4,972
EBITDA/shr (KHR)	874	905	1,027	1,075	1,128
SPS (KHR)	1,743	1,800	2,200	2,279	2,478
DPS (KHR)	55	106	153	160	-
Valuation ratios on Nov 22					
P/E (x)	8.91	7.41	5.96	6.88	7.88
P/B (x)	0.49	0.46	0.43	0.41	0.41
P/B* (x, excluding Class A)	1.13	0.99	0.87	0.79	0.78
EV/EBITDA (x)	8.35	8.07	7.11	6.79	6.47
P/S (x)	2.24	2.17	1.77	1.71	1.57
Dividend yields (%)	1.40	2.70	3.91	4.10	-
Dividend payout (%)	12.50	20.00	23.30	28.24	-
Profitability ratios					
Gross margin (%)	68.51	71.38	66.96	68.66	68.01
EBITDA margin (%)	50.18	50.27	46.66	47.16	45.52
EBIT (%)	34.00	28.52	28.56	29.00	28.38
Net margin (%)	25.56	29.39	28.19	25.45	19.95
ROE (%)	5.72	6.43	7.10	6.29	5.21
ROE* (% , excluding Class A)	13.54	14.17	14.62	12.27	9.91
ROA (%)	3.69	4.06	4.48	3.97	3.25
Efficiency ratios					
Asset turnover (x)	0.14	0.14	0.16	0.16	0.16
Receivables turnover (x)	5.22	5.18	5.89	5.72	4.92
Payable turnover (x)	1.27	1.74	2.59	2.05	1.74
Financial strength					
Debt/equity (%)	58.1	58.4	58.2	58.3	60.6
Interest coverage (x)	35.2	36.0	34.7	32.9	35.6
Inter & ST debt cover (x)	4.3	3.8	2.8	3.4	2.2
Current ratio (x)	1.3	1.1	1.1	1.1	0.8
Quick ratio (x)	4.5	5.4	5.1	3.3	2.1
Net debt/EBITDA (x)	3.8	4.6	4.2	2.7	0.6

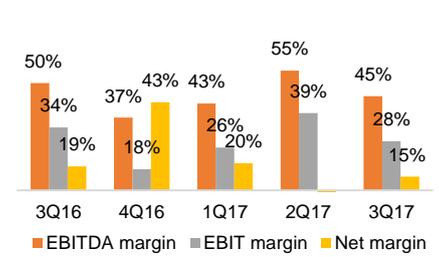
Note: *Excluding capital of Class A (non-voting) shares of KHR391bn

Source: The Company, YSC Research

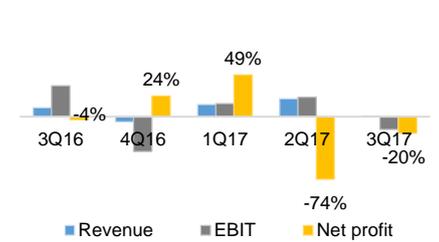
Quarterly revenue (KHR'bn)



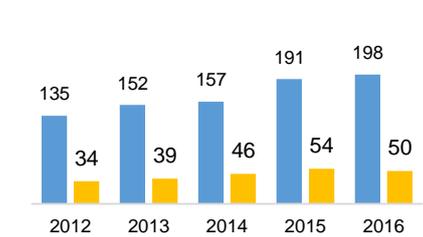
Quarterly profit margin



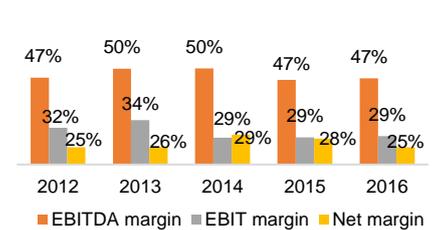
Quarterly revenue and profit growth (YoY)



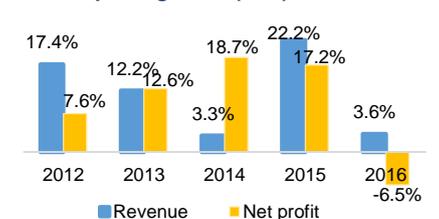
Annual revenue and net profit (KHR'bn)



Annual profit margin



Annual profit growth (YoY)



Condensed Financial Statements

Statement of comprehensive income				
FY to Dec (KHRbn)	2014	2015	2016	1~3Q17
Revenues	156.5	191.3	198.2	168.6
COGS	-44.8	-63.2	-62.1	-52.5
Gross profit	111.7	128.1	136.1	116.1
Operating expenses	-35.2	-35.8	-43.5	-35.6
Net gain/loss from forex	2.1	-3.1	0.9	0.2
EBITDA	78.7	89.3	93.5	80.6
Depreciation & Amortization	-34.0	-34.6	-36.0	-27.8
EBIT	44.7	54.6	57.5	52.8
Interest income	23.1	33.2	20.2	5.1
Interest expense	-11.7	-19.9	-17.1	-28.8
PBT	56.1	68.0	60.6	29.1
Income tax expense	-10.1	-14.1	-10.2	-6.3
Net profit of the period	46.0	53.9	50.4	22.8
Actuarial loss/gain on retirement benefit	-0.3	3.0	-1.2	0.0
Comprehensive income	45.7	56.9	49.3	22.8

Statement of cash flow				
FY to Dec (KHRbn)	2014	2015	2016	1~3Q17
Operating cash flow	84.2	78.7	100.6	71.0
Net profit	46.0	53.9	50.4	29.1
Depreciation & amortization	34.0	34.5	36.0	27.8
Change in working capital	1.9	-10.2	17.8	-2.5
Others	2.3	0.5	-3.6	16.5
Investing cash flow	-101.1	-81.5	-74.7	-55.1
Net CAPEX	-86.6	-91.8	-135.1	-104.7
ST investment	-22.1	1.9	46.2	47.3
Others	7.5	8.5	14.2	2.3
Financing cash flow	21.3	0.3	-22.0	-23.6
Net change in share capital	0	0	0.0	0
Net change in debt	38.6	19.5	8.6	-0.5
Cash dividend	-4.8	-9.1	-13.3	-13.9
Others	-12.5	-10.0	-17.3	-9.2
Net change in cash & equivalent	4.4	-2.4	3.8	-7.7
Beginning cash & equivalent	10.6	15.0	12.6	16.4
Ending cash & equivalent	15.0	12.5	16.4	8.7

Statement of financial position				
FY to Dec (KHRbn)	2014	2015	2016	3Q17
Non-current assets	878.1	939.4	1,038.6	1,111.6
Fixed assets	874.7	936.7	1,036.4	1,106.2
Intangible assets	2.9	2.3	2.0	5.3
Other non-current assets	0.5	0.4	0.3	0.2
Current assets	288.0	300.8	259.1	219.2
Inventories	40.5	53.7	48.4	46.2
Trade receivables	30.6	34.3	35.0	52.8
Cash & cash equivalent	15.0	12.6	16.4	8.7
Short-term investment	196.3	194.5	148.3	101.0
Other current assets	5.5	5.7	11.0	10.5
Total assets	1,166.1	1,240.1	1,297.7	1,330.8
Non-current liabilities	376.6	396.7	399.5	398.5
Long-term debts	251.3	256.4	251.6	258.9
Refundable water deposits	36.3	46.3	54.9	48.6
Other non-current liabilities	89.1	94.0	93.0	91.0
Current liabilities	53.3	59.5	78.3	103.5
Short-term debts	28.8	28.5	34.7	45.2
Trade & other payables	21.5	27.3	33.4	48.0
Other current liabilities	2.9	3.6	10.2	10.3
Total liabilities	429.9	456.2	477.8	502.0
Shareholders' equity	736.2	784.0	820.0	828.9
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	22.8
Total liabilities & equity	1,166.1	1,240.1	1,297.7	1,330.8
Net debt	265.1	272.3	269.9	295.4
Total debt	280.1	284.9	286.3	304.1

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