

Review of 1H10 results of listed power generation companies

Thermal profitability stabilized, while hydropower earnings surged on higher waters

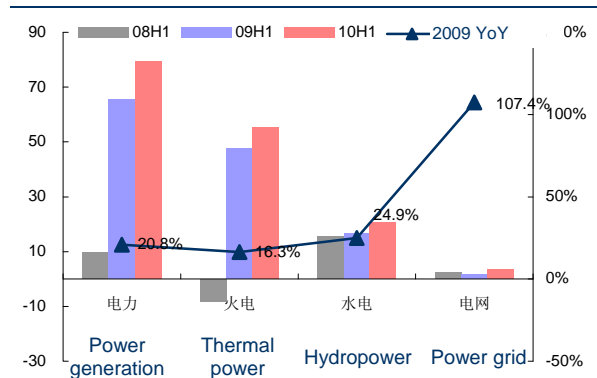
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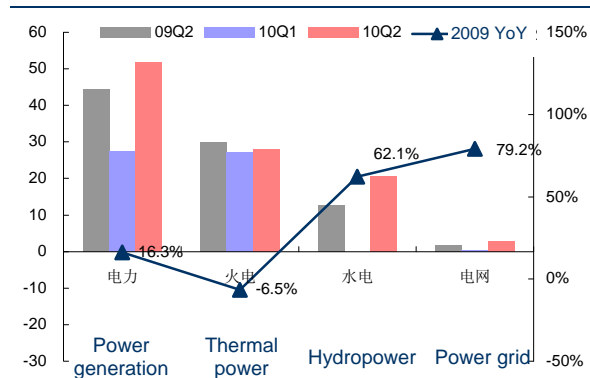
Listed power generation companies have all announced their 1H10 results. For the industry as a whole, net profit (excl. non-recurring gains and losses, same below) increased 20.8% YoY (thermal: +16.3% YoY; hydropower: +24.9% YoY). For 2Q10, sector earnings rose 16.3% YoY, with hydropower surging 87.1% QoQ due to higher water levels. Thermal power companies recorded a 6.5% YoY decline in earnings as a result of steeper coal prices, but their 2Q10 earnings improved 3.7% QoQ. By region, thermal power plants in coastal areas fared better, while those in other areas continued to be weak. Some companies have released 3Q10E earnings pre-announcements showing relatively weak YoY growth, even though quarterly advancement can still be expected.

Fig. 1: Earnings of the power generation industry and sub-sectors (2008-1H10) (Unit: Rmb 100m)



Source: Wind, CSI

Fig. 2: Quarterly earnings of the power generation industry and sub-sectors (2Q09-2Q10) (Unit: Rmb 100m)



Source: Wind, CSI

Comment:

❖ Stabilizing thermal profit and seasonal surge of hydropower profit

In 1H10, the power generation sector posted total net profit of Rmb7.92bn (+20.8% YoY). Of which, the thermal power generation sub-sector logged earnings of Rmb5.52bn (+16.3% YoY). Yangtze Power saw earnings of its hydropower segment jump 24.9% YoY (to Rmb2.06bn) as a result of a major asset reconsolidation completed in Sep 09. Listed power-grid operators enjoyed a rebound in demand and reported integrated net profit of Rmb340m (+107.4% YoY).

For 2Q10, the power generation sector logged net profit of Rmb5.16bn (+16.3% YoY). In particular, earnings growth rates for the three sub-sectors were: (i) thermal: -6.5% YoY and +3.7% QoQ; (ii) hydropower: +62.1% YoY and +87.1% QoQ, due to seasonal factors; and (iii) power grid: +451.5% QoQ, due to rebounding demand and higher self-sufficiency.

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	Overweight	Relative performance over MSCI-China Index 5% ~ 20%
	Hold	Relative performance over MSCI-China Index -10% ~ 5%
	Sell	Relative performance over MSCI-China Index > -10%
	NR	Not rated
Sector rating	Outperform	Relative performance over MSCI-China Index >10%
	Neutral	Relative performance over MSCI-China Index -10% ~10%
	Underperform	Relative performance over MSCI-China Index > -10%

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