



# Company Update

October 31, 2013

## EDL-Generation Pcl.

Buy (TP LAK8,825)

### Upbeat 3Q13 NP

Price LAK6,100

**We affirm our upbeat view on the company's earnings prospects, with 2013-14E EPS growth to achieve 22% CAGR, thanks to solid profit generation at its seven hydropower plants and a larger profit contribution from associates and JV. This, along with a sustainable dividend yield at 8-9% p.a. and potential capacity expansion in Lao PDR (as Electricite du Laos' investment arm), causes us to retain our BUY rating.**

#### Facts and Figures

- EDL-Gen reported unaudited 3Q13 NP of 376,905mn kips (+97% YoY, +54% QoQ), with the profit contribution from its seven existing hydroelectric power plants as the main driver.
- Excluding the 12,170mn kip forex loss, it delivered a core profit of 389,075mn kips (+102% YoY, +59% QoQ) in 3Q13, thanks to the substantial increase in profit generation from its seven existing hydroelectric power plants following the quarter's larger electricity sales to 333,858mn kips (nearly beating the record high in 3Q11 at 341,066mn kips), as well as the solid profit contribution from associates and JV (the four transferred IPPs).

#### Analysis

- The core profit generation from its seven existing hydroelectric power plants expanded strongly by 28.5% YoY and 166% QoQ to 247,623mn kips in 3Q13 given seasonally-high power generation after record-high rainfall this year. Note that their 9M13 core profit generation amounted to 404,959mn kips, representing 85% of our full-year forecast.
- The profit contribution from associates and JV posted a slight 6.5% drop QoQ to 141,452mn kips in 3Q13, largely supported by the profit contribution of Theun-Hinboun and Nam Ngum 2. Meanwhile, the 9M13 profit contribution from the four transferred IPPs amounted to 348,708mn kips, representing 89% of the full-year forecast.
- The gross profit margin performed well both YoY and QoQ at 85.3% in 3Q13, due to the larger electricity sales at its seven existing hydroelectric power plants along with controllable costs.
- Given that 9M13 core profit of 753,667mn kips and 9M13 NP of 787,578mn kips account for 87% and 91% of our full-year forecasts, we believe our full-year forecasts are likely to be achieved, with certain upside risks.

#### Financial and Valuation

FY Ended 31 Dec	2011	2012	2013E	2014E
Revenues (Kipmn)	887,634	913,103	1,182,606	1,227,918
Net profit (Kipmn)	563,568	602,469	864,973	901,721
EPS (Kip) – weighted	681.76	590.08	705.40	735.37
EPS (Kip) – FD	648.83	491.32	705.40	735.37
EPS growth (%)	na.	(24.3)	43.6	4.2
DPS (Kip)	497.97	450.00	529.05	551.53
BV (Kip)	4,512.41	4,560.64	4,736.99	4,920.83

FY Ended 31 Dec	2011	2012	2013E	2014E
PER (x)	9.4	12.4	8.6	8.3
PBV (x)	1.4	1.3	1.3	1.2
EV/EBITDA (X)	7.9	10.2	7.3	6.8
Dividend yield (%)	8.2	7.4	8.7	9.0
ROE (%)	17.2	12.7	15.2	15.2
Net Gearing (%)	24.0	15.8	8.7	4.3

#### Share data

LSX code/ Bloomberg	EDL-GEN/ EDL LS
Sector	Power
Closing Price (USD, Kip)	0.77 / 6,100
Paid-up Shares (m)	1,226.22
Par (USD, Kip)	0.52 / 4,000
Market cap (Kip bn / USDmn)	7,602.54 / 962.04
Foreign limit / actual (%)	20% / 13.98
52 week High / Low (Kip)	5,000 / 7,000
Avg. daily T/O (shares 000)	47.17
Estimated free float (%)	13.98
Beta	1.09

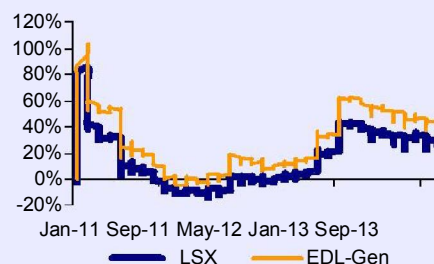
#### Major Shareholders

Electricite du Laos	75.00%
Ratch-Lao Service	6.46%
RH International (Singapore)	2.88%
Banque Pour Le Commerce	2.68%

Source: <http://www.edlgen.com.la>

#### Stock Performance (%)

	1M	3M	12M
Absolute	34.68	33.60	67.00
Relative to LSX	37.02	37.19	38.49



#### Company Profile

EdL-Gen owns/operates all power plant assets separated and privatized from EdL.

#### Note:

BCEL-KT Securities is the underwriter of EDL-Gen.

BCEL-KT Securities Co., Ltd. is a joint venture company between BCEL Bank and KT ZMICO Securities (Thailand).

**Patcharin Karsemarnuntana KT  
ZMICO Research Indochina  
Energy patcharink@ktzmico.com**

**+66 02 695-5837**



Figure 1: 3Q13 and 9M13 earnings results

Financial Summary										
unit: mn kips	3Q12	2Q13	3Q13	% YoY	% QoQ	9M13	% YoY	2013E	% YoY	YTD (%13E)
<b>Electricity sales</b>	<b>272,355</b>	<b>173,220</b>	<b>333,858</b>	22.6	92.7	<b>648,426</b>	6.4	<b>788,859</b>	1.2	82.2
Cost of sales	(46,503)	(50,437)	(48,916)	5.2	(3.0)	(147,058)	8.5	(199,160)	7.1	73.8
Gross profit	225,852	122,783	284,942	26.2	132.1	501,368	5.8	589,699	(0.7)	85.0
Profit from associates & JV		151,338	141,452	na	(6.5)	348,708	na	390,066	269.4	89.4
Dividend income								2,636	nm	0.0
Other income	446	2,067	1,847	314.1	(10.6)	4,810	55.6	1,045	(77.3)	460.1
Exchange gains (loss)	(1,165)	342	(12,170)	944.6	nm	33,911	1,202	0	(100.0)	nm
<b>Total revenue</b>	<b>271,636</b>	<b>326,967</b>	<b>464,987</b>	71.2	42.2	<b>1,035,855</b>	68.4	<b>1,182,606</b>	29.5	87.6
Gain before expenses	225,133	276,530	416,071	84.8	50.5	888,797	85.4	983,446	35.3	90.4
Admin. expenses	(13,682)	(20,287)	(17,311)	26.5	(14.7)	(52,715)	16.1	(60,870)	(1.6)	86.6
<b>Profit b/f financial costs &amp; tax</b>	<b>211,451</b>	<b>256,243</b>	<b>398,760</b>	88.6	55.6	<b>836,082</b>	92.7	<b>922,576</b>	38.7	90.6
Finance costs	(9,787)	(6,939)	(9,541)	(2.5)	37.5	(25,443)	(8.7)	(32,469)	(9.0)	78.4
Income tax	(10,065)	(4,555)	(12,314)	22.3	170.3	(23,061)	12.5	(25,134)	(7.3)	91.8
<b>Net profit</b>	<b>191,599</b>	<b>244,749</b>	<b>376,905</b>	96.7	54.0	<b>787,578</b>	104.2	<b>864,973</b>	43.6	91.1
<b>EPS (kips) - FD*</b>	<b>156.25</b>	<b>199.60</b>	<b>307.37</b>	96.7	54.0	<b>642.28</b>	69.4	<b>705.40</b>	43.6	91.1
Gross profit margin**	82.9	70.9	85.3			77.3		76.8		
EBITDA margin (%)	92.3	91.4	94.3			92.6		92.2		
Net profit margin (%)	70.5	74.9	81.1			76.0		73.1		
ROE (%)	16.6	17.1	26.3			18.1		15.2		
Debt/equity (x)	0.2	0.1	0.1			0.1		0.2		

Note: \*Per share data is based on share capital of 1,226.22 ms

\*\*gross profit margin = gross profit from operation / electricity sales

Source: KTZmico Research



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## KT ZMICO RESEARCH – RECOMMENDATION DEFINITIONS

### STOCK RECOMMENDATIONS

**BUY:** Expecting positive total returns of 15% or more over the next 12 months

**TRADING BUY:** Expecting positive total returns of 10% or more over the next 3 months

**SELL INTO STRENGTH:** Expecting total returns between -10% to +10% over the next 12 month; share price has largely priced in fundamentals

**SELL:** Expecting negative total returns of 10% or more over the next 12 months

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.