China Longyuan Power (916.HK)

January 2012 power generation lower than our estimates; reiterate BUY

Buy

Target Price	HK$7.40
Closing Price (8 Feb 2012)	HK$5.89
Potential Upside/Downside	+25.6%

Key Data

Sector	Alternative energy
52-Week High	8.50
52-Week Low	5.07
Market Cap. (HK$ b)	44.0
Market Cap. (US$ b)	5.7
Shares Outstanding (m)	2710.7
Free Float (%)	90.9
Avg. 3-Mth. T/O (HK$ m)	46.3

Share Price Performance

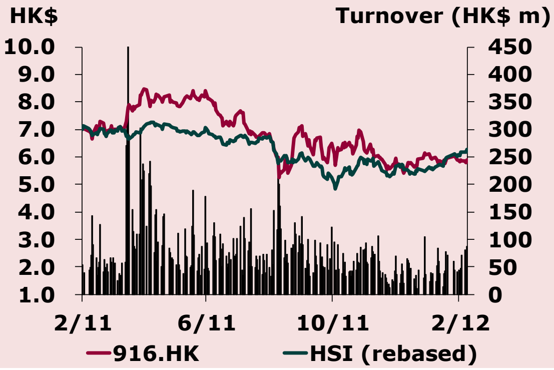
(%)	YTD	1M	3M	12M
Absolute	-3.0	-0.8	-4.5	-15.0
Relative to HSI	-17.0	-13.9	-11.3	-4.5

Investment Summary

YE 31 Dec	09A	10A	11E	12E
Revenue (RMB$ m)	9,744	14,213	18,301	22,407
YoY Change (%)	13.9	45.9	28.8	22.4
Net Profit (RMB$ m)	894	2,019	2,904	3,518
YoY Change (%)	165.3	125.8	43.9	21.1
EPS (RMB$)	0.174	0.270	0.389	0.471
YoY Change (%)	157.8	55.5	43.9	21.1
P/E (x)	27.5	17.7	12.3	10.2
ROE (%)	6.9	8.9	10.7	12.0
Dividend Yield (%)	0.0	1.0	1.2	1.4

Source: Company data, CSC Research estimates

Share Price vs HSI



Source: Bloomberg
All data are as of 8 February, 2012

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- **Power generation for January 2012**

China Longyuan Power announced on Feb 7 that its power generation for Jan 2012 amounted to 2.02 TWh, representing a decrease of 14.85% YoY. The decrease in wind power generation and coal power generation were 3.80% and 28.68% respectively, and other renewable energy power generation registered an increase of 128.66%.

- **Lower industrial power demand during CNY holiday**

China Longyuan Power's Jan 2012 power generation was lower than our estimates. The decline was mainly due to overall power consumption decrease in January as a result of the early Chinese New Year and overall economy slow-down. The poor wind generation was mainly due to low wind speed since 2H2011 and persistent grid connection problem. In particular, Jilin, Liaoning and Gansu registered the biggest YoY decreases from 40-57%.

- **Wind power market rose to 41 GW in 2011**

According to the Global Wind Energy Council's report, the global wind power market rose 6% to 41 GW last year, led by China, which captured more than two-fifths of the total. China installed 18 GW of turbines in 2011, followed by the U.S. with 6.8 GW and India's 3 GW.

- **Reiterate BUY**

The decline in power generation was mainly due to the CNY holiday and overall economy slow-down. We expect Feb power consumption to rise and forecast a 9-10% increase in power consumption this year. We believe Longyuan's development of new wind farms in regions with stronger grid connections will help improve the grid curtailment problem and increase wind power generation in 2012. Given continuous policy support from the government and improving regulatory climate, we remain bullish on wind farm operators. Longyuan is trading at 12.3x / 10.2x 2011E / 12E P/E. We maintain BUY rating on the stock for now.

January 2012 Longyuan's power generation details (YoY growth %)

Business segments and regional distribution	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	2011	Jan-12
Wind power business	**42.3%**	**43.8%**	**38.9%**	**41.6%**	**49.3%**	**55.3%**	**35.8%**	**12.4%**	**64.7%**	**23.5%**	**7.1%**	**6.8%**	**32.3%**	**-3.8%**
Heilongjiang	29.4%	57.7%	27.1%	27.6%	38.7%	44.5%	7.9%	-26.1%	27.4%	35.0%	11.9%	55.8%	28.2%	-9.3%
Jilin	13.7%	-39.7%	21.3%	11.1%	6.0%	-7.6%	32.1%	-37.2%	-6.6%	-15.0%	-48.3%	-39.0%	-11.0%	-56.9%
Liaoning	27.2%	97.3%	65.1%	98.8%	92.0%	181.4%	6.8%	-28.1%	28.8%	-6.3%	-45.1%	-37.1%	29.8%	-51.7%
Inner Mongolia	-2.7%	-5.0%	28.5%	14.8%	27.4%	28.5%	35.1%	5.2%	42.7%	56.4%	12.9%	19.3%	20.9%	29.0%
Jiangsu	19.7%	-0.4%	-35.4%	25.2%	19.6%	72.5%	3.3%	54.5%	55.5%	-21.8%	67.7%	4.5%	13.4%	11.3%
Zhejiang	47.7%	-19.2%	-9.3%	-8.5%	31.6%	81.7%	17.6%	125.2%	79.5%	36.5%	154.2%	167.0%	53.9%	57.1%
Fujian	95.3%	70.7%	120.5%	11.6%	27.0%	2.3%	8.3%	-13.1%	157.1%	40.1%	64.3%	133.2%	62.4%	-7.1%
Hainan	452.0%	126.2%	170.7%	48.9%	61.3%	22.4%	59.1%	5.1%	359.2%	29.2%	125.0%	243.3%	12.5%	-21.3%
Gansu	119.3%	267.2%	131.5%	260.8%	163.9%	102.0%	95.8%	123.0%	310.2%	55.2%	9.9%	-21.3%	110.2%	-40.3%
Xinjiang	-16.9%	34.3%	9.4%	-19.6%	4.6%	4.9%	67.9%	5.4%	34.3%	-17.5%	5.5%	-18.7%	4.0%	-12.0%
Hebei	142.9%	9.8%	46.4%	29.1%	60.7%	81.5%	27.8%	-16.6%	40.4%	10.2%	-41.2%	-38.1%	15.2%	-24.4%
Yunnan	570.9%	53.3%	180.8%	76.6%	14.9%	5.3%	-5.1%	46.6%	28.5%	21.2%	27.8%	-32.4%	64.4%	87.2%
Anhui	-	-	-	-	-	-	-	-	-	-	-	-	-	1233.8%
Shandong	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tianjin	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shanxi	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ningxia	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guizhou	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Coal power business	**0.5%**	**-5.6%**	**12.6%**	**-4.6%**	**14.4%**	**13.3%**	**8.9%**	**-4.3%**	**7.0%**	**1.9%**	**-0.2%**	**0.7%**	**3.5%**	**-28.7%**
Other renewable power business	**152.8%**	**37.5%**	**115.9%**	**218.8%**	**225.5%**	**194.0%**	**38.6%**	**33.1%**	**51.3%**	**4.2%**	**46.3%**	**-23.6%**	**59.3%**	**128.7%**
Total	**19.0%**	**18.8%**	**26.8%**	**17.2%**	**31.8%**	**30.8%**	**18.7%**	**1.9%**	**31.4%**	**13.1%**	**4.0%**	**3.9%**	**17.3%**	**-14.9%**

Source: Company Data, CSC Research estimates

Rating Definition

Strong Buy	Share price may exceed by 30% over next 12 months
Buy	Share price may exceed by 10% over next 12 months
Hold	Share price may fall within the range of +/- 10% over next 12 months
Sell	Share price may fall by more than 10% over next 12 months
Strong Sell	Share price may fall by more than 30% over next 12 months

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