

Sector: Power

23 December 2019

Aboitiz Power Corp. (AP)

Committed to reach 4000 megawatts in attributable capacity

BUY

Share Price: PHP34.05
 Target Price: PHP42.25
 Potential Upside: 24.0%

Bloomberg Code
 Outstanding Shares (mn)
 52-week High / Low (PHP)
 Market Cap PHP mn

AP PM
 7,359
 40.40 / 31.95
 250,560

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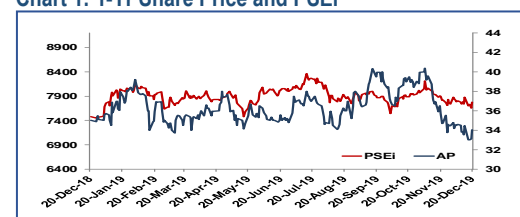
➤ Additional income from GNPowder Dingginin

GNPower Dingginin Ltd. Co. owns 2 units of power plants with a combined net sellable capacity of 1,336 megawatts. 668MW Unit 1 is targeted to operate in third quarter of 2020 while 668MW Unit 2 in fourth quarter of the same year. Using equity method, we expect P1.3 billion additional income from GNPowder Dingginin from partial operations of both units in 2020. However, earning contributions from Dingginin assets would be reached around P5.1 billion in 2021 from the full year operations of the units based on our estimates. AP has 70.0% economic interest in GNPowder Dingginin through AA Thermal.

➤ GMCP and TSI resume operations in December

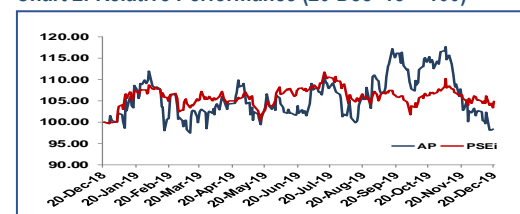
316MW Unit 1 of GMCP and 260MW Units 1 and 2 of TSI expected to resume operations following unplanned outages of the assets last July, September, and December respectively. As of December 20, Unit 1 of GMCP has already begun its operation adding capacity in the Luzon grid. Meanwhile, both units of TSI are still offline but estimated date in of the 130MW Unit 1 would still be this month but the 130MW Unit 2 would be in mid-January of next year. The resumption of the operations of GMCP and TSI would bring in additional net sellable capacity of 576 megawatts starting first quarter of 2020.

Chart 1: 1-Yr Share Price and PSEI



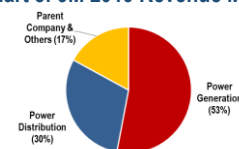
Source: Technistock

Chart 2: Relative Performance (20 Dec '18 = 100)



Source: Technistock

Chart 3: 9M 2019 Revenue Mix



Source: AP

Table 1: Valuation PHP mn unless stated		Table 2: Estimates (Year-End Dec)				
		2017A	2018A	2019E	2020E	
Power generation	309,546	Net Income PHPmn	20,416	21,173	23,731	
Power distribution	129,309	EPS	2.77	2.95	3.22	
SNAP Magat	16,118	EPS growth	1.8	6.3	-2.5	12.1
SNAP Benguet	16,969	P/E x	12.27	11.54	11.83	10.56
Pagbilao Energy Corp.	30,477	Dividend	1.36	1.39	1.47	1.44
SOTP	502,419	Dividend yield	4.0	4.1	4.3	4.2
Net debt – parent and subsidiaries	(157,074)	Dividend payout	50	50	50	50
SOTP NAV	345,345					
Implied discount	10%					
Outstanding shares	7,359					
SOTP NAV/sh.	42.25					
Target price	42.25					

GNPower Dinginin

Table 3: GNPower Dinginin	2020E	2021E	2022E
Net sellable capacity (MW)	333	1,336	1,336
Capacity factor rate	80%	80%	80%
Estimated revenues (PhP mn)	9,044	36,234	36,234
Estimated net income (PhP mn)	1,809	7,247	7,247
Attributable to AP (70% economic interest)	1,266	5,073	5,073

Source: AP, BA Research estimates

Latest Results

Table 4: Interim Results	Third Quarter			Nine Months		
PHPmn unless stated otherwise	3Q'19	3Q'18	% Chg	9M'19	9M'18	% Chg
Operating revenues	30,722	35,073	(12.4)	94,681	100,105	(5.4)
Power generation - net	13,742	17,267	(20.4)	41,562	47,391	(12.3)
Power distribution - net	11,951	11,758	1.6	34,993	34,191	2.3
Parent company and others -net	5,030	6,048	(16.8)	18,126	18,524	(2.1)
Costs and operating expenses	(22,480)	(24,136)	(6.9)	(72,448)	(72,350)	0.1
Operating income	8,242	10,938	(24.6)	22,233	27,755	(19.9)
Net income attributable to parent company	4,807	7,554	(36.4)	13,455	16,672	(19.3)
Earnings per share	0.65	1.03	(36.9)	1.83	2.27	(19.4)

Source: AP, BA Research estimates

Income Statement

Table 5: Income Statement	2016A	2017A	2018A	2019E	2020E	2021E
PHPmn unless stated otherwise						
Operating revenues	88,756	119,016	130,952	137,133	146,828	151,082
Power generation - net	35,692	57,418	61,855	57,419	63,337	64,969
Power distribution - net	44,585	43,532	44,881	47,020	49,387	51,130
Parent company and others -net	8,479	18,066	24,217	32,693	34,104	34,983
Costs and operating expenses	(62,853)	(85,218)	(95,075)	(98,999)	(105,979)	(108,515)
Operating income	25,903	33,799	35,877	38,134	40,849	42,568
Net income attributable to parent company	20,003	20,416	21,708	21,173	23,731	27,682
Earnings per share	2.72	2.77	2.95	2.88	3.22	3.76

Source: AP, BA Research estimates

Rating Definition

BUY - Estimated potential return of >10% in 12 months
 HOLD - Estimated potential return of 0-10% in 12 months
 SELL - Estimated potential return of <10% in 12 months

Rating History

Date	Share Price (PHP)	Rating	TP (PHP)
08 May 2017	41.20	Buy	46.00
31 Aug 2017	39.50	Buy	44.25
07 Sep 2018	37.00	Buy	44.56
20 Aug 2019	35.50	Buy	40.35
23 Dec 2019	34.05	Buy	42.25