

18 / April / 2022

Phnom Penh Water Supply Authority

Recommendation

BUY

Price (2022/04/18): KHR 7,600 (~USD 1.88)
Target Price: KHR 8,680 (~USD 2.14)
Market Cap: KHR 660.99bn (~USD 163.41m)
Avg Daily Trading Value: KHR 56.19mn (~USD 13.89k)

Research Analyst

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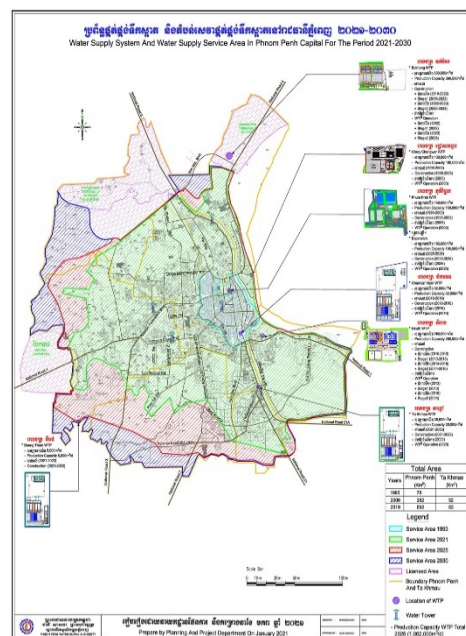
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Stock Code	PWSA
52w High	KHR 8,240
52w Low	KHR 6,540
52w Avg. Daily Trading Value	KHR 56.19 m (~USD 13.89k)
Free Float	15%
Shareholders	
MEF	85%
ESOP	1%
Public Shareholders	14%

*Exchange Rate: KHR 4,045

Financial Overview

	2020A	2021A	2022F
Rev (KHR bn.)	324.36	369.14	418.24
PBT (KHR bn.)	120.74	165.85	234.23
PAT (KHR bn.)	88.35	129.27	189.60
EPS (KHR)	1,015.85	1,486.37	2,225.81
ROE (%)	9.00	11.08	7.23
DPS (KHR)	262	299.44	342
P/E (x)	5.78	4.64	5.96
P/B (x)	0.90	0.53	0.66



(Source: Company Data)

Brief Overview of Phnom Penh Water Supply Authority

PWSA is the municipal water utility that serves Cambodia's capital Phnom Penh and surrounding area. The Ministry of Industry and Handicraft (MIH) supervises technical issues related to PWSA operations and the Ministry of Economic and Finance is responsible for financial supervision. The Mekong, Tonle Sap, and Tonle Bassac rivers are the sources of PWSA raw material and it is treated at the water treatment plants located in Chrouy Changva, Phum Prek, Chamkarmon, Niroth, Mlech and Tbong Khmum. PWSA is the major water supply utility providing water to Phnom Penh through there are other 6 private water supply companies that provide portable water in Phnom Penh. PWSA supplies water via 431,401 connections to households, businesses and public entities. PWSA water supply value chain is broken down into three main processes. Firstly, upstream raw water distribution mainly involves the transportation of raw water from natural sources such as rivers to downstream water treatment plants, and in some cases, water exploitation and preservation projects are used (e.g, reservoir construction). Secondly, tap water operators treat raw water and supply it to the end-users through the operators' pipeline network. As stipulated by the regulations, the water supplier is also responsible for installing water meters to measure water usage and correctly bill and collect integrated tariffs from its clients. Finally, the sewage produced by the end-users is collected through a sewage drainage system and treated before being released into the river.

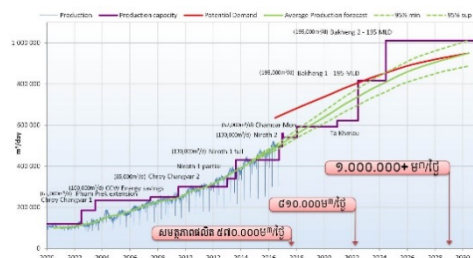
PWSA officially listed on the CSX on 18th April 2012 with the IPO price of KHR 6,300.

PWSA: Growth of the Enterprise Due to Material Change in Sale and Revenue

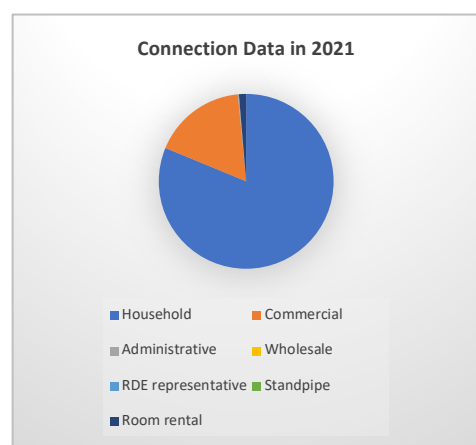
• Expansion of Water Treatment Plant

According to the water demand against supply of population growth in Phnom Penh due to the expansion of its surrounding area including Takhmao town, it has to be expanded its water production capacity through building of more water treatment plants to meet the demand. Since 1993, PWSA has experienced an impressive growth. Two Master





Plans have helped define the strategy for expansion of water supply. First Master Plan was from 1993 to 2010, second Master Plan from 2005 to 2020, the full implementation of second master plan and continuing increase of water demand require to prepare a third Master Plan which has been conducted from 2016 to 2030. In addition, PWSA will conduct additional water treatment plants in 2 phases at Bakheng. The investment project for Bakheng Water Treatment Plant phase 1, with a production capacity of 195,000m³/day, to be scheduled to put into operation in 2022. Bakheng Water Treatment Plant phase 2 will be constructed soon in 2022, with additional production capacity of 195,000m³/day to meet the clean water demand from 2025 onward.



• Population Growth following the Master Plan of Sprawling the Phnom Penh City

Phnom Penh witnessed the significant urban growth over the last ten years, now has close to 2 million residents in an increasingly sprawling urban landscape. In 2010, 20 communes from Kandal province were integrated into the city, increasing the number of Khan from 7 to 8. Furthermore, in and after 2011, several Khan were split to establish new Khan. Today, there are a total of 12 Khan constituting a total of 678.47 Km² of Phnom Penh area. In addition, the demand of water supply also due to the migration the residents from the countryside to Phnom Penh.

• Economic Outlook -The Recovery of Economic Growth

The world impacted negatively by Covid-19, including Cambodia-which means Cambodia has favored the GDP growth averaged 7.0% for over past 2 decades. However, in the recent 2 years the spread of virus contracted Cambodia economics negatively especially in 2020, at which the city was locked down, restricted some business activities. Moreover, new norm is announced by the Royal government of Cambodia to live the context of Covid-19 with estimated GDP growth of 5.0% in 2022 (NBC; annual report, 2021)), it is the sign showing that the economics returns its way to normal. There will be a surge of demand the water for daily economic activities more than in the context of the lockdown and restriction.

Stock Code	52W Avg. Daily Trading Value (KHR'Mn.)	52W Avg. Daily Trading Value (USD)
ABC	1,010.88	249,909
PPSP	354.08	87,535
DBDE	61.81	15,281
PWSA	56.19	13,892
JSL	50.65	12,520
PAS	37.71	9,323
PPAP	24.99	6,178
GTI	14.67	3,626
PEPC	6.32	1,561

• Revenue Increases Followed by Sale and Other Income

The revenue increased by KHR 44.8 bn or 13.80% from KHR 324.4 bn for the period ended 31 December 2020 to KHR 369.1 bn for the period ended 31 December 2021. The increase was primarily due to the special income, which increase in the huge amount of other income as of 38.9 bn or 200.39% and sale income KHR 282.4 bn or 0.25%. However, in 2022, we estimate that the revenue will increase from KHR 369.1 bn to



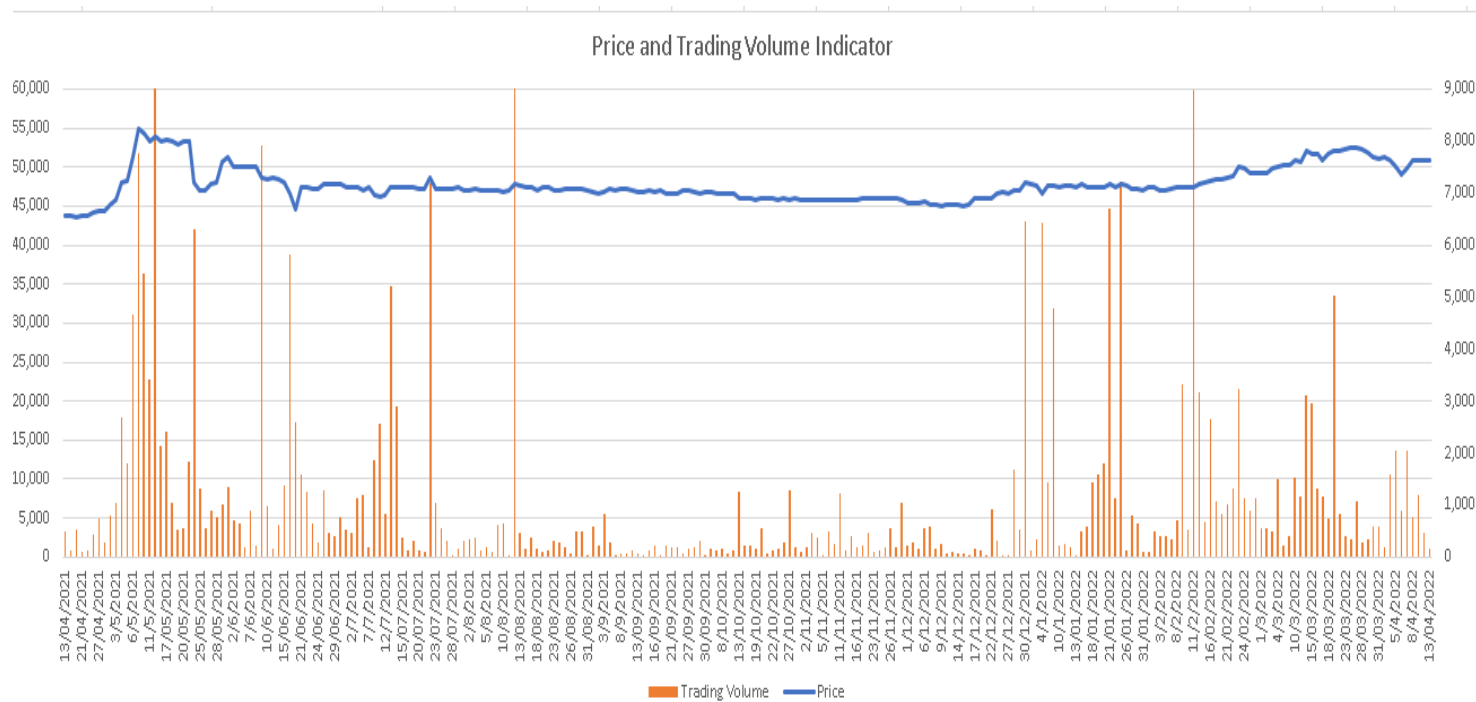
Share outstanding	86,973,162
Enterprise Value	KHR 1,710.76 bn
Dividend Growth rate	14.29%
Expected Dividend for 2022	KHR 342.00
Cost of Equity (Re)	18.70%
Intrinsic Value	KHR 8,730

418.2 bn or 13.29%.

• **Target price KHR 8,680 (14.21% upside)**

According to our estimate, we recommend to **“BUY”** for Phnom Penh Water Supply Authority Ordinary share with Gordon Growth-based target price of KHR 8,680/share, representing an upside gain of 14.21% from current share price of KHR 7,600/share as of 04/18/2022.

Stock Price Movement (13th April 2021 – 13th April 2022)



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Financial Statements

Income Statement						
In KHR	2017A (‘000)	2018A (‘000)	2019A (‘000)	2020A (‘000)	2021E (‘000)	2022F (‘000)
Revenue:						
Sales	193,356,445	205,841,498	194,272,261	281,649,338	282,369,797	283,216,906
Construction service fees	10,741,536	8,092,103	8,092,103	23,324,228	26,241,989	29,522,238
Other income	28,795,108	51,159,692	17,403,491	19,394,290	58,259,487	116,518,974
Foreign exchange gain - net	-	-	1,461,237	-	2,273,984	-
	232,893,089	265,093,293	221,229,092	324,367,856	369,145,257	418,241,576
Expenses:						
Electricity costs	(36,694,187)	(38,826,732)	(37,308,266)	(37,062,063)	(35,791,983)	(35,791,983)
Salaries, wages and related expenses	(40,780,492)	(53,996,452)	(51,409,104)	(56,041,219)	(63,631,237)	(63,631,237)
Raw materials for water treatment	(6,755,623)	(7,502,667)	(7,671,340)	(10,523,255)	(9,541,982)	(9,541,982)
Raw material for household water connections	(9,055,682)	(3,556,905)	(2,844,717)	(2,520,109)	(3,163,768)	(3,163,768)
Repairs and maintenance	(7,892,971)	(8,313,279)	(7,230,666)	(8,578,366)	(7,050,855)	(7,050,855)
construction service expenses	(7,048,024)	(5,672,339)	(2,752,932)	(18,220,555)	(22,448,213)	(22,448,213)
Reversal of impairment on loan to employees	(613,053)	443,486	443,486	130,437	-	-
Amortization and Depreciation Charges	(36,977,932)	(43,069,524)	(49,703,532)	(50,402,360)	(55,194,412)	(58,255,034)
Other operating expenses	(7,325,056)	(8,785,828)	(7,949,679)	(8,259,697)	(15,226,506)	(16,749,156.60)
Foreign exchange (loss)/gain - net	(263,471)	(941,822)	-	(3,303,997)	-	-
Total Expenses	(153,406,491)	(170,222,062)	(166,426,750)	(194,781,184)	(212,048,956)	(216,632,229)
Operating profit	79,486,598	94,871,231	54,802,342	129,586,672	157,096,301	212,770,289
Finance income	6,144,926	16,814,254	8,824,404	7,622,934	16,964,309	22,577,799
Finance cost	(32,804,739)	(16,176,827)	(11,508,318)	(16,463,129)	(8,204,024)	(1,108,106)
Profit before tax	52,826,785	95,508,658	52,118,428	120,746,477	165,856,586	234,239,982
Tax expense	(16,892,587)	(19,007,953)	(15,998,617)	(32,394,632)	(36,582,669)	(44,630,856)
Profit for the financial year	35,934,198	76,500,705	36,119,811	88,351,845	129,273,917	189,609,126
Items that will not be reclassified to profit or loss:						
Actuarial gain/(loss) on retirement benefit obligations	(2,866,377)	(2,893,537)	-	-	-	-
Total comprehensive income for the financial year	33,067,821	73,607,168	36,119,811	88,351,845	129,273,917	189,609,126
EPS (USD)	0.094	0.21	0.095	0.25	0.37	0.54
EPS (KHR)	380.21	856.32	382.78	1,015.85	1,486.37	2,180.08



Financial Statements

Balance Sheet						
In KHR	2017A (‘000)	2018A (‘000)	2019A (‘000)	2020A (‘000)	2021E (‘000)	2022F (‘000)
ASSETS						
Non-current assets						
Property, Plant and Equipment	1,124,172,183	1,215,679,824	1,374,031,554	1,573,602,099	1,879,194,659	2,215,346,475
Intangible assets	5,211,406	14,326,092	13,411,013	13,083,204	12,530,278	11,977,352
Loan to Pursat Water Supply	112,896	-	-	-	-	-
Current assets						
Inventories	64,526,124	97,014,178	103,755,868	78,612,888	143,731,508	140,662,571
Trade and other receivables	44,804,172	18,468,010	13,564,801	25,642,206	24,875,167	13,057,285
Contract assets	-	46,041,769	13,321,083	42,922,547	66,024,580	66,024,580
Loan to Pursat Water Supply	141,849	112,365	-	-	-	-
Loan to employees	5,034,864	5,478,350	7,826,214	7,956,651	7,956,651	7,956,651
Short-term investment	96,703,704	33,622,417	17,909,267	67,939,714	68,163,833	68,163,833
Other tax receivables	5,312,052	5,312,052	5,312,052	4,643,326	-	-
Cash and bank balances	15,992,527	13,353,758	55,212,070	50,215,505	89,659,538	89,659,538
TOTAL ASSETS	1,362,011,777	1,449,408,815	1,604,343,922	1,864,618,140	2,292,136,214	2,612,848,285
EQUITY AND LIABILITIES						
EQUITY						
Share capital	541,227,282	541,227,282	541,227,282	541,227,282	619,315,886	888,159,986
Reserves	264,829,678	284,503,636	339,185,444	352,473,530	418,038,410	686,882,510
Retained earnings	33,067,826	73,607,168	33,291,913	88,351,845	129,273,917	189,609,126
TOTAL EQUITY	839,124,786	899,338,086	913,704,639	982,052,657	1,166,628,213	1,764,651,622
LIABILITIES						
Non-current liabilities						
Borrowings	258,286,903	285,635,901	303,948,144	517,288,403	790,359,750	525,456,555
Retirement benefit obligations	40,133,717	-	-	-	-	-
Deferred government and other grants	25,491,001	23,131,029	20,959,838	18,822,093	16,812,186	16,812,185
Deferred tax liabilities	35,207,359	45,580,070	59,526,828	62,506,657	72,307,299	72,307,299
Other payables	49,699,898	56,848,623	65,398,879	65,195,836	69,446,073	69,446,073
Current liabilities						
Trade and other payables	51,145,134	82,250,223	196,661,333	156,599,805	127,299,585	124,637,721
Borrowings	49,350,684	42,118,629	33,136,698	30,847,173	23,128,518	23,128,518
Contract liabilities	-	36,645	2,876,260	3,616,566	1,788,894	1,788,894
Current tax liabilities	13,572,295	14,469,609	8,131,303	27,688,950	24,365,696	14,619,418
Total Liabilities	522,886,991	550,070,729	690,639,283	882,565,483	1,125,508,001	848,196,664
TOTAL EQUITY AND LIABILITIES	1,362,011,777	1,449,408,815	1,604,343,922	1,864,618,140	2,292,136,214	2,612,848,286
Book Value Per Share (USD)	2.39	2.56	2.60	2.80	3.32	5.03
Book Value Per Share (KHR)	9,648.08	10,340.40	10,505.59	11,291.44	13,413.65	20,289.61



Common Size Analysis

Income Statement					
In Percentage to Total Assets	2017A	2018A	2019A	2020A	2021E
Sale	14.20%	14.20%	12.11%	15.10%	12.32%
Construction Service	0.79%	0.56%	0.50%	1.25%	1.14%
Other Income	2.11%	3.53%	1.08%	1.04%	2.54%
Revenue	17.10%	18.29%	13.79%	17.40%	16.10%
Total Expense	11.26%	11.74%	10.37%	10.45%	9.25%
Operating Profit	5.84%	6.55%	3.42%	6.95%	6.85%
Profit before Tax	3.88%	6.59%	3.25%	6.48%	7.24%
Profit for the year	2.64%	5.28%	2.25%	4.74%	5.64%
Comprehensive Profit for the year	2.43%	5.08%	2.25%	4.74%	5.64%

Balance Sheet					
In Percentage to Total Assets	2017A	2018A	2019A	2020A	2021E
Property, Plant and Equipment	82.54%	83.87%	85.64%	84.39%	81.98%
Intangible assets	0.38%	0.99%	0.84%	0.70%	0.55%
Loan to Pursat Water Supply	0.01%	0.00%	0.00%	0.00%	0.00%
Inventories	4.74%	6.69%	6.47%	4.22%	6.27%
Trade and other receivables	3.29%	1.27%	0.85%	1.38%	1.09%
Contract assets	0.00%	3.18%	0.83%	2.30%	2.88%
Loan to Pursat Water Supply	0.01%	0.01%	0.00%	0.00%	0.00%
Loan to employees	0.37%	0.38%	0.49%	0.43%	0.35%
Short-term investment	7.10%	2.32%	1.12%	3.64%	2.97%
Other tax receivables	0.39%	0.37%	0.33%	0.25%	0.00%
Cash and bank balances	1.17%	0.92%	3.44%	2.69%	3.91%
Total assets	100.00%	100.00%	100.00%	100.00%	100.00%
Borrowings	18.96%	19.71%	18.95%	27.74%	34.48%
Retirement benefit obligations	2.95%	0.00%	0.00%	0.00%	0.00%
Deferred government and other grants	1.87%	1.60%	1.31%	1.01%	0.73%
Deferred tax liabilities	2.58%	3.14%	3.71%	3.35%	3.15%
Other payables	3.65%	3.92%	4.08%	3.50%	3.03%
Trade and other payables	3.76%	5.67%	12.26%	8.40%	5.55%
Borrowings	3.62%	2.91%	2.07%	1.65%	1.01%
Contract liabilities	0.00%	0.00%	0.18%	0.19%	0.08%
Current tax liabilities	1.00%	1.00%	0.51%	1.48%	1.06%
Total liabilities	38.39%	37.95%	43.05%	47.33%	49.10%
Share capital	39.74%	37.34%	33.74%	29.03%	27.02%
Reserves	19.44%	19.63%	21.14%	18.90%	18.24%
Retained earnings	2.43%	5.08%	2.08%	4.74%	5.64%
Total equity	61.61%	62.05%	56.95%	52.67%	50.90%

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Key Ratios

	2017A	2018A	2019A	2020A	2021E
Capital Ratios					
Equity to total assets	61.61%	62.05%	56.95%	52.67%	50.90%
Debt to equity	0.62x	0.61x	0.76x	0.90x	0.96x
Leverage					
Debt ratio	0.38x	0.38x	0.43x	0.47x	0.49x
Profitability Ratios					
ROA	2.43%	5.08%	2.25%	4.74%	5.64%
ROE	3.94%	8.18%	3.95%	9.00%	11.08%
Operating Profit Margin	34.13%	35.79%	24.77%	39.95%	42.56%
Net Profit Margin	14.20%	27.77%	16.33%	27.24%	35.02%

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Appendix: Declaration

Analyst Declaration

The research analyst certifies that (1) all of the views, analysis, opinions, reflect his or her personal views and judgment on those securities or companies; and (2) no part of his or her compensation was, is, or will be directly or indirectly link to the recommendations or opinions as expressed by that research analyst in the research report.

Type of our Recommendations

Buy: Positive outlook – we recommend investors to invest in this stock.

Hold: Fairly stable outlook – we recommend investors to hold their position on this stock.

Sell: Negative outlook – we recommend investors to exit their investments in this stock.

No Recommendation: Unable to form any views – we still keep track of the company to formulate a recommendation.

Note: Unless specified in the research report, our research report would cover a 12-month target price and recommendation.

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