

21 August 2014

China Everbright Intl (257.HK)

Keep increasing speed



HONG KONG | ENVIRONMENTAL | COMPANY RESULTS

Rating: **Accumulate**

- In the first half year of 2014, the company has realized its turnover of 2.944 billion HK dollars, increased 19% comparing with the same period of last year. Among which profit attributable to shareholders is RMB 802 million Yuan, a 23% increase on a year-on-year basis. The earnings per share have reached 0.18 HK dollars, which nearly meet the expectation. Distributing interim dividend of 5 cents per share, the gross profit rate is 45.91%, a little decrease compared to the same period of last year. But, still, the company has maintained the expected annual growth rate of 20%.
- In the first half year, garbage power generating projects of Ninghai first stage and Nanjing first stage have been put into operation. Pizhou first stage, Sanya first stage and Shandong Shouguang project are under construction and will be put into operation the next half year. It is predicted that, at the end of 2014, the scale of garbage power generation will reach 15000 tons. Moreover, garbage disposal fees of three garbage power generating projects in Changzhou, Jiangyin and Yixing are increased successively in the first half year. And it is believed that more and more projects will rise their disposal fees in the future. Solid waste project has disposed garbage of 2.227 million tons in the first half year, increased 2% comparing with the same period of last year. The generated energy is 587GWh, a 15% increase on a year-on-year basis. As for profit, construction profit of the first half year has reached 1.527 billion HK dollars, a 22% increase on a year-on-year basis; operation profit is 320 million HK dollars, a 5.6% increase on a year-on-year basis. It is obvious that this year is also a construction year. Five new launched projects of this year will make a significant rise in operating data of the next year.
- In the first half of the year, all renovation projects of Zhangqiu sewage disposal plant and the first plant of Lingxian County have been put into operation. The volume of disposed sewage of the first half year is 277 million cubic metres, a 14% increase compared to the same period of last year. All water-related projects have realized the profit of 506 million HK dollar, a 12% decrease compare with the same period of last year. The main reason for the decrease is the reducing in water-related construction projects. At present, share acquisition from Hankore is still in progress. After the acquisition, water-related business profit is believed to grow substantially.

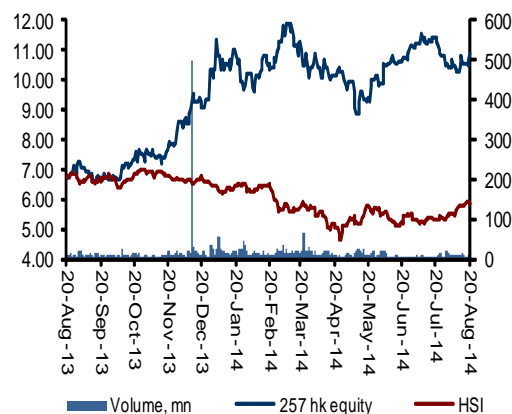
Target Price (HKD)	11.94
Forecast Dividend (HKD)	0.10
Closing Price (HKD)	10.92
Potential Upside	10.3%

Company Description

Ever bright International is an investment industry group with green and environmental protection and new energy as the major business. At present, it has totally developed over 70 projects throughout more than 20 coastal cities of China

Company Data

Market Cap. (HKD bn)	48,962
Enterprise Value (HKD mn)	N/A
52 w week range (HKD)	6.62 - 12.12
Closing Price in 52 week range	



Key Financial Summary

FYE	12/12	12/13	12/14F	12/15F
Operating Profit (HKD 000)	1,483,202	2,127,232	2,550,207	3,292,634
Net Profit, adj. (HKD 000)	1,123,269	1,324,667	1,613,575	2,134,965
EPS, adj. (HKD)	0.30	0.33	0.40	0.53
P/E (X)	36.4	33.1	27.3	20.6
BVPS (HKD)	2.20	3.29	3.63	4.15
P/B (X)	5.0	3.3	3.0	2.6
DPS (HKD)	0.03	0.05	0.10	0.10
Div. Yield	0.3%	0.5%	0.9%	0.9%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

PE

Major Shareholders

1 China Everbright Holdings Company Limited	41.35%
2 Dalvey Asset Holding Limited	7.10%

Valuation Method

PE

Phillip Research

research@phillip.com.cn

+86 21 51699400-104

- The company has gained 11 new projects in the first half year, including 7 garbage power generating projects, 1 dangerous waste disposal project and 3 biomass projects. Investment volume is RMB 4.58 billion Yuan. This year is believed to be a year with the most biggest scale of new projects in company history. The company has great developing potential in the future while the main obstacle will still be the funds. In the first half of the year, the liability ratio is 41%, keeping balance with the end of 2013. In the future, the liability may rise gradually and financial expense may increase significantly.
- The company is the leader of solid waste disposal industry. Under sound environmental protection policy and condition of the nation, they have gained a large number of projects in the first half year, each project is in rapid construction as well. The scale of garbage power generation has increased significantly, and it is predicted that the growth in this business will be fast and stable. With the acquisition of Hankore, new energy biomass projects and wind power projects, we believe that it is out of question for the company to maintain the compound growth rate of 20% in the next three years. We provided them the target price of 11.94 HK dollars in the next 12 months, equal to 30 times of the expected PE ratio of 2014. And we give them the rate of "Accumulate".

•
Chart 1. New projects obtained in the 1st half of 2014

	Investment amount (Rmb mn)	Scale(tons)
Maanshan WTE	450	800
Yiyang WTE	372	800
Tengzhou WTE	339	600
Dangshan WTE	250	400
Nanjing Gaochun WTE	292	500
Changzhou Xinbei WTE	420	800
Nanjing WTE phase 2	987	2000
Xinyi Solid Waste Landfill	100	
Gangyun Biomass	175	
Sucheng Biomass	175	
Xuyu Biomass	172	
Total	4580	

Source: PSR, Company Report

For Financial Summary at the end of report

FYE	FY11	FY12	FY13	FY14F	FY15F
Valuation Ratios					
P/E (X)	49.6	36.4	33.1	27.3	20.6
P/B (X)	6.5	5.0	3.3	3.0	2.6
Dividend Payout ratio	13.64%	10.00%	15.15%	25.00%	18.87%
Dividend Yield	0.27%	0.27%	0.46%	0.92%	0.92%
Per share data (HKD)					
EPS, reported	0.22	0.30	0.33	0.40	0.53
EPS, adj.	0.22	0.30	0.33	0.40	0.53
DPS	0.03	0.03	0.05	0.10	0.10
BVPS	1.69	2.20	3.29	3.63	4.15
Growth					
Revenue	19.0%	-2.2%	56.0%	11.2%	33.2%
Operating income	23.2%	17.7%	43.4%	19.9%	29.1%
Net Income, adj.	30.0%	40.2%	17.9%	21.8%	32.3%
Key Ratios					
Current ratio	138.34%	164.31%	230.79%	179.09%	150.96%
Gross profit margin	41.25%	49.38%	44.65%	49.00%	47.00%
Net profit margin	22.99%	32.94%	24.90%	27.29%	27.11%
Return on average assets	6.48%	7.37%	6.61%	6.44%	7.52%
Return on average equity	13.90%	15.45%	12.20%	11.48%	13.51%
Liability/asset	52.00%	47.72%	41.29%	43.23%	42.65%
Income statement (thousand HKD)					
Operating revenue	3,486,697	3,409,938	5,319,866	5,913,212	7,876,447
Cost of good sell	(2,048,378)	(1,726,266)	(2,944,458)	(3,015,738)	(4,174,517)
Gross profit	1,438,319	1,683,672	2,375,408	2,897,474	3,701,930
Other net profit	58,727	106,929	144,190	201,866	282,612
Administrative expenses	(235,823)	(297,377)	(392,238)	(549,133)	(691,908)
Operating profit	1,260,280	1,483,202	2,127,232	2,550,207	3,292,634
Interest expense	(240,778)	(312,640)	(315,579)	(347,137)	(381,851)
Profit before tax	1,019,502	1,170,562	1,811,653	2,203,070	2,910,783
Income tax	(254,713)	(266,554)	(447,455)	(539,752)	(713,142)
Effective income tax rate	24.98%	22.77%	24.70%	24.50%	24.50%
Net profit for the period	845,264	1,154,104	1,364,198	1,663,318	2,197,641
Minority interest	43,823	30,835	39,531	49,743	62,676
Net profit attributable to equity holders	801,441	1,123,269	1,324,667	1,613,575	2,134,965
Dividend paid	165,396	241,986	366,066	448,372	448,372
Balance Sheet (thousand HKD)					
Cash or cash equivalent	1,684,299	1,806,868	4,425,734	3,055,440	2,055,440
Account receivable	1,016,164	1,207,000	1,376,719	1,514,391	1,665,830
Inventory	43,475	65,317	75,524	75,524	75,524
Other current assets	769,279	1,660,022	2,366,033	3,312,446	4,306,180
PPE	845,511	1,422,515	1,374,138	1,648,967	1,978,759
Intangible assets	5,963,047	6,889,550	9,035,315	11,035,315	12,535,315
Other non-current assets	3,557,842	3,531,842	4,817,584	6,021,980	7,527,475
Total Assets	13,879,617	16,583,114	23,471,047	26,664,063	30,144,523
Cash payable	1,423,305	1,190,736	1,733,757	2,427,260	3,155,438
Short term loan	1,064,080	1,635,386	1,779,867	1,957,854	2,153,639
Other current liability	52,101	58,179	58,413	58,413	58,413
Long term loan	4,028,929	4,368,965	5,141,254	5,912,442	6,208,064
Other non-current liability	649,638	659,439	978,635	1,170,089	1,281,116
Total Liabilities	7,218,053	7,912,705	9,691,926	11,526,058	12,856,670
Shareholders' equity	6,190,024	8,349,759	13,374,264	14,733,148	16,882,996
Minority interest	471,540	320,650	404,857	404,857	404,857
Total shareholders' equity	6,661,564	8,670,409	13,779,121	15,138,005	17,287,853
Total shareholders' equity and liabilities	13,879,617	16,583,114	23,471,047	26,664,063	30,144,523

Source: PSR



PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

GENERAL DISCLAIMER

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Disclosure of Interest

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report.

Firm's Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

Availability

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product's risks, please visit the Risk Disclosures Statement on <http://www.phillip.com.hk>.

© 2014 Phillip Securities (Hong Kong) Limited

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel : (65) 6533 6001
Fax : (65) 6535 6631
Website: www.poems.com.sg

HONG KONG

Phillip Securities (HK) Ltd
Exchange Participant of the Stock Exchange of Hong Kong
11/F United Centre 95 Queensway
Hong Kong
Tel (852) 22776600
Fax (852) 28685307
Websites: www.phillip.com.hk

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel (62-21) 57900800
Fax (62-21) 57900809
Website: www.phillip.co.id

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel (66-2) 6351700 / 22680999
Fax (66-2) 22680921
Website www.phillip.co.th

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel (44-20) 7426 5950
Fax (44-20) 7626 1757
Website: www.kingandshaxson.com

AUSTRALIA

PhillipCapital Australia
Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel (613) 96188238
Fax (613) 92002272
Website: www.phillipcapital.com.au

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel (603) 21628841
Fax (603) 21665099
Website: www.poems.com.my

JAPAN

PhillipCapital Japan K.K.
Nagata-cho Bldg.,
8F, 2-4-3 Nagata-cho,
Chiyoda-ku, Tokyo 100-0014
Tel (81-3) 35953631
Fax (81-3) 35953630
Website: www.phillip.co.jp

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd
No 436 Hengfeng Road,
Greentech Unit 604,
Postal code 200070
Tel (86-21) 51699400
Fax (86-21) 63532643
Website: www.phillip.com.cn

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel (33-1) 45633100
Fax (33-1) 45636017
Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1.312.356.9000
Fax +1.312.356.9005