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Dynagreen Env (1330.HK)

Steady Progress of New Project

HONG KONG | ENVIRONMENTAL PROTECTION | COMPANY RESULTS

- The revenue of the company in H1 of 2014 was RMB 391 million, down by 45% yoy; recurrent profit was RMB 146 million, down by 25% yoy; profit attributable to shareholders of the company was RMB 34.57 million, down by 70% yoy significantly. The main reason is that the number of projects in construction of the company in H1 decreased.
- Among the classified revenue, the operation revenue of waste incineration power generation project was RMB 129 million, up remarkably by 70% yoy; the project scale of the company significantly expanded in H2 of 2013, and those projects were put into commercial operation successively since 2014. The construction revenue of waste incineration project was RMB 220 million, down by 63% yoy.
- The company has won the bidding of waste power generation BOT projects in Longhui, Shantou, Bobai and Miyun respectively, with the total project scale of 3,000 tons per day. The total scale of the projects under construction and the projects in preparation reach to 10,600 tons per day. Compared with the company's current operation scale of 5,250 tons per day, the growth rate of long-term operation revenue of the company in the future can be maintained at a relatively high level.

Key Financial Summary

FYE	12/12	12/13	12/14F	12/15F
Operating Profit (RMB 000)	203,070	259,632	164,940	315,514
Net Profit, adj. (RMB 000)	146,340	150,901	102,229	211,323
EPS, adj. (RMB)	0.21	0.22	0.10	0.20
P/E (X)	17.0	16.2	35.7	17.9
BVPS (RMB)	1.71	1.73	2.14	2.36
P/B (X)	2.1	2.1	1.7	1.5
DPS (RMB)	0.00	0.00	0.00	0.00
Div. Yield	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Rating:

Accumulate

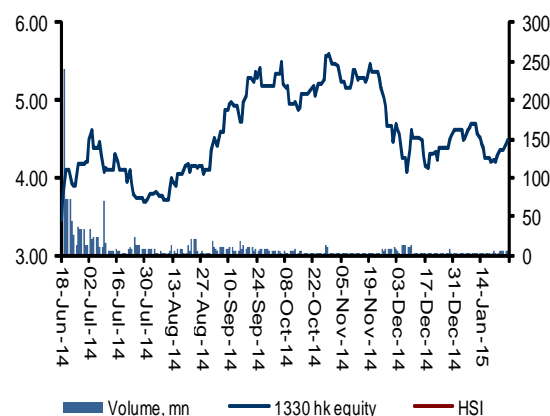
Target Price (HKD)	5.00
Forecast Dividend (HKD)	0.00
Closing Price (HKD)	4.48
Potential Upside	11.6%

Company Description

The Company mainly performs solid waste treatment and Beijing State-owned Assets Management (BSAM) is its controlling shareholder. Currently the company is one of top ten companies engaged in waste incineration in the PRC, and has projects in Jiangsu, Zhejiang and Shandong and so on. It was listed in Hong Kong Stock Exchange on 19th June 2014.

Company Data

Market Cap. (HKD bn)	4,682
Enterprise Value (HKD mn)	N/A
52 week range (HKD)	3.45 - 5.84
Closing Price in 52 week range	



Major Shareholders

1.Beijing State-Owned Assets Management Co. Ltd.	47.96%
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Valuation Method

PE

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Earnings in H1 shrunk

The revenue of the company in H1 of 2014 was RMB 391 million, down by 45% yoy; recurrent profit was RMB 146 million, down by 25% yoy; profit attributable to shareholders of the company was RMB 34.57 million, down by 70% yoy significantly. The main reason is that the number of projects in construction of the company in H1 decreased. EPS was RMB 0.05. The short-term decline of the performance of the company complies with our expectation and we have explained in the previous report of Don't Worry about Warnings on Profits.

Operation revenue increased significantly

Among the classified revenue, the operation revenue of waste incineration power generation project was RMB 129 million, up remarkably by 70% yoy; the project scale of the company significantly expanded in H2 of 2013, and those projects were put into commercial operation successively since 2014. The construction revenue of waste incineration project was RMB 220 million, down by 63% yoy. With the successive commencement of construction of three projects in Huizhou, Anshun and Jixian in H2 of 2014, the construction revenue of the company will return to the normal level.

The company has won the bidding of a large number of new projects

The company has won the bidding of waste power generation BOT projects in Longhui, Shantou, Bobai and Miyun respectively, with the total project scale of 3,000 tons per day. The total scale of the projects under construction and the projects in preparation reach to 10,600 tons per day. Compared with the company's current operation scale of 5,250 tons per day, the growth rate of long-term operation revenue of the company in the future can be maintained at a relatively high level.

Valuation

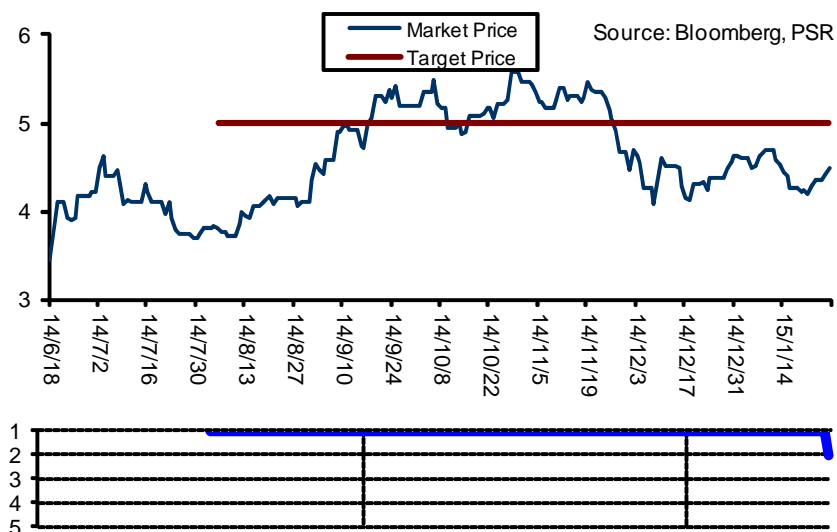
The company plans to put two projects into operation in H2 of 2015. These projects are Anshun project and Jurong project, with the total project scale of 1,400 tons per day. The company plans to commence the construction of four projects in 2015. These projects are Zhangqiu, Pingyao, Ninghe and Hong'an projects, with the total project scale of 2,500 tons per day. It is predicted that both construction revenue and operation revenue of the company will increase sharply in 2015 and surge in 2016. We maintain the target price of the company which is HKD 5 and "Accumulate" rating.

For Financial Summary at the end of report

FYE	FY11	FY12	FY13	FY14F	FY15F
Valuation Ratios					
P/E (X)	29.8	17.0	16.2	35.7	17.9
P/B (X)	2.2	2.1	2.1	1.7	1.5
Dividend Payout ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
Per share data (RMB)					
EPS, reported	0.12	0.21	0.22	0.10	0.20
EPS, adj.	0.12	0.21	0.22	0.10	0.20
DPS	0.00	0.00	0.00	0.00	0.00
BVPS	1.64	1.71	1.73	2.14	2.36
Growth					
Revenue	-	110.5%	4.6%	-7.7%	37.7%
Operating income	-	65.9%	27.9%	-36.5%	91.3%
Net Income, adj.	-	93.1%	3.1%	-32.3%	106.7%
Key Ratios					
Current ratio	470.33%	115.08%	119.21%	118.19%	75.08%
Gross profit margin	30.06%	25.02%	29.45%	34.11%	30.50%
Net profit margin	17.11%	15.70%	15.47%	11.36%	17.06%
Return on average assets	-	7.39%	5.24%	2.85%	5.16%
Return on average equity	-	13.03%	12.53%	5.93%	9.00%
Liability/asset	32.16%	50.41%	63.84%	41.52%	43.68%
Income statement (thousand RMB)					
Operating revenue	442,781	932,126	975,185	899,615	1,238,845
Cost of good sell	(309,700)	(698,949)	(688,022)	(592,777)	(861,007)
Gross profit	133,081	233,177	287,163	306,838	377,838
Other net profit	20,665	6,714	29,708	9,000	9,000
Administrative expenses	(31,099)	(36,712)	(56,341)	(150,000)	(70,426)
Other cost	(276)	(109)	(898)	(898)	(898)
Operating profit	122,371	203,070	259,632	164,940	315,514
Interest expense	(21,624)	(36,615)	(74,290)	(40,277)	(51,360)
Profit before tax	100,747	166,455	185,342	124,663	264,154
Income tax	(24,970)	(20,115)	(34,441)	(22,434)	(52,831)
Effective income tax rate	24.78%	12.08%	18.58%	18.00%	20.00%
Net profit attributable to equity holders	75,777	146,340	150,901	102,229	211,323
Dividend paid	0	0	0	0	0
Balance Sheet (thousand RMB)					
Cash or cash equivalent	244,674	185,206	502,167	552,384	252,384
Account receivable	247,839	285,879	209,849	251,819	302,183
Inventory	2,151	2,709	6,021	6,021	6,021
Other current assets	41,201	26,916	30,628	30,628	30,628
Intangible assets	563,091	965,469	1,345,774	1,614,929	2,099,408
Receivables under construction	440,928	780,681	1,078,144	1,185,958	1,504,554
Other non-current assets	8,202	166,333	177,912	177,912	177,912
Total Assets	1,548,086	2,413,193	3,350,495	3,819,651	4,373,090
Cash payable	81,033	142,577	209,703	272,614	327,137
Short term loan	27,500	286,567	410,023	430,524	452,050
Other current liability	5,400	5,936	8,302	8,302	8,302
Long term loan	277,650	624,041	1,299,425	599,425	778,965
Other non-current liability	106,205	157,420	211,609	275,092	343,865
Total Liabilities	497,788	1,216,541	2,139,062	1,585,957	1,910,319
Total shareholders' equity	1,050,298	1,196,652	1,211,433	2,233,694	2,462,771
Total shareholders' equity and liabilities	1,548,086	2,413,193	3,350,495	3,819,651	4,373,090

Source: PSR

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

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

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

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