

Dynagreen Env (1330.HK)

The result substantially goes beyond the expected

Hong Kong | Environmental Protection | Update Report

30 March 2015

The result goes beyond the expected

As the 2014 whole-year result released by the company, its whole-year revenue has recorded RMB 1.226 billion, up 26% yoy; EBITDA has recorded RMB 374 million, up 26% yoy; and a net profit affiliated to the company's shareholders has recorded RMB 142 million, down 5% yoy. The primary reason for the decrease was that the company's IPO has cost RMB 13.515 million in 2014. With the EPS being RMB 0.16, its result has greatly exceeded the market and our expectation.

Project construction speeds up

The company has recorded RMB 312 million for its waste power operation service revenue, substantially up 55% yoy. Its Huizhou Landfill is already being operated at present, and its waste power projects in Anshun and Jurong will be completed by the end of the year, thus its operation service revenue of 2015 will continually bring a substantial increment. The company has recorded RMB 818 million for its waste power construction revenue, up 14% yoy. The company's construction revenue substantially exceeding the expected is majorly because the construction speed of 3 waste power plants is faster than expected, which can also put these projects into operation earlier and elevate economical values. It is predicted that in 2015 the company will have new projects at a scale of around 3,000 tons in succession to be started on construction, and the substantial increment of construction revenue is optimistic.

Valuation

This time, the company's result hugely exceeding the expected is not only an embodiment of its projects smoothly being constructed, but also a symbol of its future result being shown in advance. We predict that the company will maintain the status of having a high increment in the future three years, and we set its 12-month target price at HK\$ 5.44, equal to 21 times/15 times the 2015/2016 expected price-earnings ratio, thus it is "Accumulate" rating. (Closing price as at 26 March 2015)

Accumulate (Maintain)

CMP : HKD 4.83

(Closing price as at 26 March 2015)

TARGET : HKD 5.44

COMPANY DATA

O/S SHARES(MN) :	404
MARTKET CAP (HKD BN) :	19.53
52-WK HI/LO (HKD) :	3.60/ 5.84

SHARE HOLDING PARTTEN • %

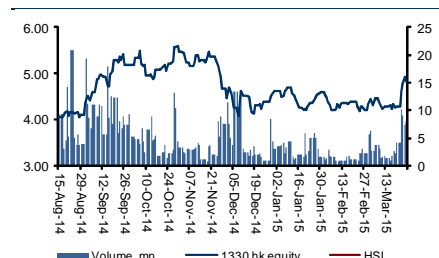
Beijing State-Owned Assets Management Co. Ltd	47.96
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PRICE PERFORMANCE • %

	1MTH	3MTH	1YR
1330HK	14.95	12.33	-
HSI	16.45	7.28	-

PRICE & HSI



Source: Phillip Securities (HK) Research

Key Financial Summary				
FYE	12/13	12/14	12/15F	12/16F
Operating Profit (RMB 000)	259,632	315,786	365,989	493,253
Net Profit, adj. (RMB 000)	150,901	142,045	175,719	259,970
EPS, adj. (RMB)	0.22	0.16	0.20	0.29
P/E (X)	17.6	24.2	19.4	13.3
BV/PS (RMB)	1.73	2.46	2.70	3.05
P/B (X)	2.2	1.6	1.4	1.3
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

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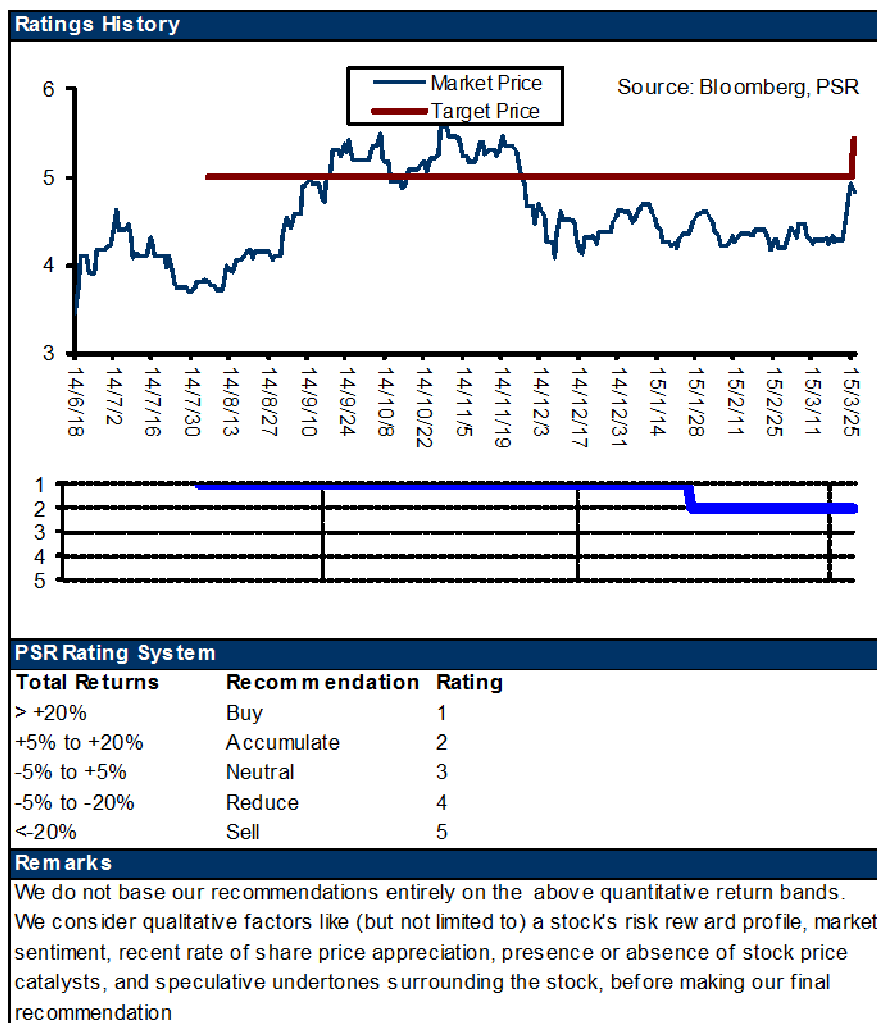
Financials

For Financial Summary at the end of report

FYE	FY12	FY13	FY14	FY15F	FY16F
Valuation Ratios					
P/E (X)	18.4	17.6	24.2	19.4	13.3
P/B (X)	2.3	2.2	1.6	1.4	1.3
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	0.21	0.22	0.16	0.20	0.29
EPS, adj.	0.21	0.22	0.16	0.20	0.29
DPS	0.00	0.00	0.00	0.00	0.00
BVPS	1.71	1.73	2.46	2.70	3.05
Growth					
Revenue	110.5%	4.6%	25.8%	28.1%	11.9%
Operating income	65.9%	27.9%	21.6%	15.9%	34.8%
Net Income, adj.	93.1%	3.1%	-5.9%	23.7%	47.9%
Key Ratios					
Current ratio	115.08%	119.21%	124.89%	91.64%	87.44%
Gross profit margin	25.02%	29.45%	30.75%	29.00%	35.00%
Net profit margin	15.70%	15.47%	11.58%	11.18%	14.78%
Return on average assets	7.39%	5.24%	3.64%	3.71%	4.91%
Return on average equity	13.03%	12.53%	8.38%	7.70%	10.23%
Liability/asset	50.41%	63.84%	51.20%	52.26%	51.79%
Income statement (thousand RMB)					
Operating revenue	932,126	975,185	1,226,310	1,571,462	1,758,693
Cost of good sell	(698,949)	(688,022)	(849,159)	(1,115,738)	(1,143,150)
Gross profit	233,177	287,163	377,151	455,724	615,543
Other net profit	6,714	29,708	35,646	35,646	35,646
Administrative expenses	(36,712)	(56,341)	(96,740)	(125,110)	(157,665)
Other cost	(109)	(898)	(271)	(271)	(271)
Operating profit	203,070	259,632	315,786	365,989	493,253
Interest expense	(36,615)	(74,290)	(121,950)	(146,340)	(168,291)
Profit before tax	166,455	185,342	193,836	219,649	324,962
Income tax	(20,115)	(34,441)	(51,791)	(43,930)	(64,992)
Effective income tax rate	12.08%	18.58%	26.72%	20.00%	20.00%
Net profit attributable to equity holders	146,340	150,901	142,045	175,719	259,970
Dividend paid	0	0	0	0	0
Balance Sheet (thousand RMB)					
Cash or cash equivalent	185,206	502,167	762,356	533,649	533,649
Account receivable	285,879	209,849	327,566	376,686	414,355
Inventory	2,709	6,021	7,322	7,322	7,322
Other current assets	26,916	30,628	34,711	34,711	34,711
Intangible assets	965,469	1,345,774	1,597,826	2,236,956	2,460,652
Receivables under construction	780,681	1,078,144	1,566,826	1,645,667	1,974,800
Other non-current assets	166,333	177,912	165,610	165,610	165,610
Total Assets	2,413,193	3,350,495	4,462,217	5,000,601	5,591,099
Cash payable	142,577	209,703	332,158	465,021	558,025
Short term loan	286,567	410,023	551,361	551,361	551,361
Other current liability	5,936	8,302	22,815	22,815	22,815
Long term loan	624,041	1,299,425	1,040,006	1,100,007	1,100,007
Other non-current liability	157,420	211,609	338,485	473,879	663,431
Total Liabilities	1,216,541	2,139,062	2,284,825	2,613,083	2,895,639
Total shareholders' equity	1,196,652	1,211,433	2,177,392	2,387,518	2,695,460
Total shareholders' equity and liabilities	2,413,193	3,350,495	4,462,217	5,000,601	5,591,099

Source: PSR

(Financial figures as at 26 March 2015)



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

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