

Dynagreen Env (1330.HK)

Results in line with expectation

Hong Kong | Environmental Protection | Update Report

26 October 2015

2015 interim results in line with expectation

The Company recorded revenue as RMB 652 million in 2015H1, up 67% yoy; and recorded profit before tax as RMB 148 million, up 174 yoy%. The profit attributable to shareholders amounted to RMB 110 million, surged 221% yoy. The significant increase in revenue and profit is mainly due to the low comparison benchmark in 2014H1 when there were less projects under construction. Earnings per share is RMB 0.11. Such business results is basically in line with our expectation.

Various business segments under steady development

The Company recorded revenue from construction service as RMB 186 million, up 44.6% yoy. The Company has four projects in progress in H1, namely Anshun, Jurong, Jixian and Huizhou. More than half of these projects have been completed and the total treatment capacity amounted to 3300 tons. Upon completion of these projects, the business of the Company would be enhanced significantly. The operating income of the Company recorded RMB399 million in H1, up 81% yoy. The Company has 7 projects in operation and all these projects are operating smoothly, except Rushan project recognized an impairment loss of RMB 10.87 million due to inadequate amount of waste, and still recorded an impairment loss of RMB 16.69 million again this year.

New projects have higher individual capacity

The Company procured two new projects this year, namely Tongzhou project and Bengbu project. The capacity of Tongzhou project is 2250 tons while Bengbu project is 1500 tons, in which 1000 tons are from phase one. The capacities of these two projects are higher and better economies of scale is expected. Investment on these two projects amounted to RMB1160 million and RMB 504 million respectively.

Valuation

The business operation of the Company in H1 is steadily stable, which is in line of expectation. The procured new projects have higher capacity and more new projects would be procured before the year end. We maintain the target price of HKD5.44, and upgrade to the rating of "Buy". (Closing price as at 22 Oct 2015)

BUY (Upgrade)

CMP: HKD 4.51

(Closing price as at 22 Oct 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

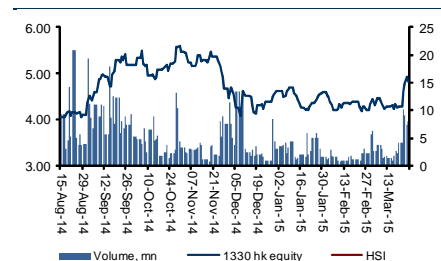
SHARE HOLDING PARTTEN , %

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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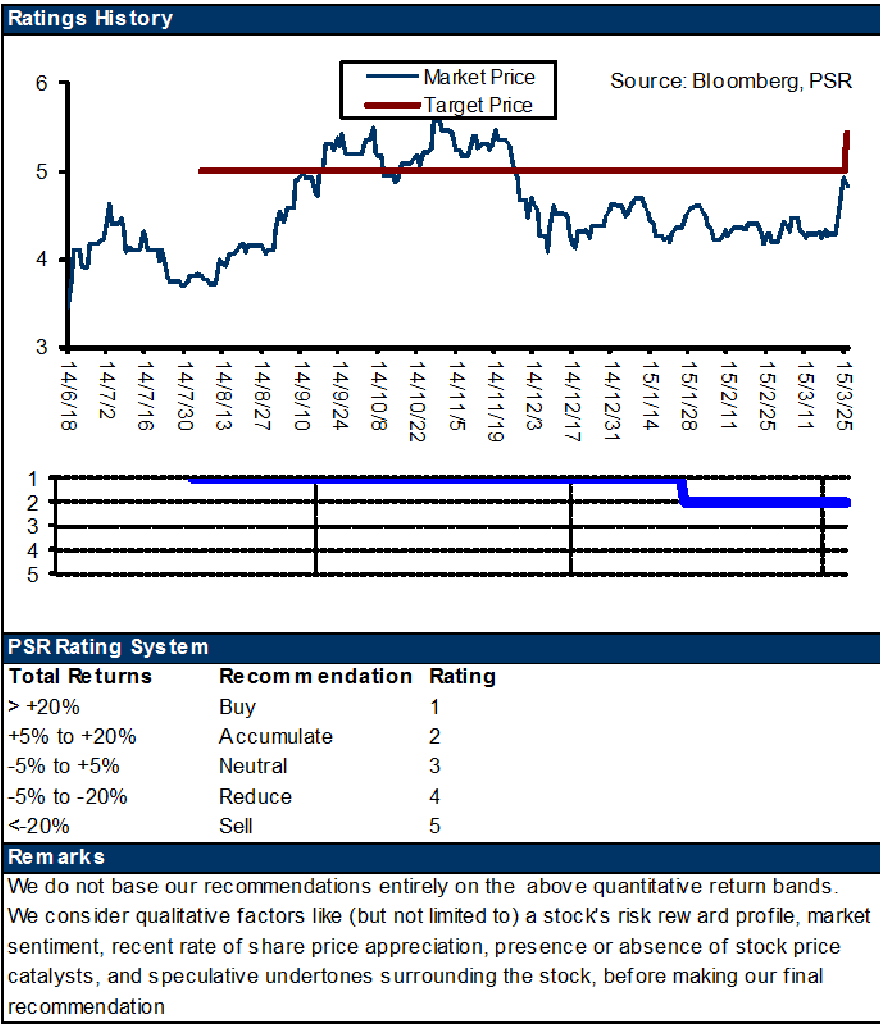
Financials

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 22 Oct 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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