

# Dynagreen Env (1330.HK)

## Positive Profit Alert Meeting Expectations

Hong Kong | Environmental Protection | Update Report

11 February 2016

### Announcement of the Company's Positive Profit Alert

The company announced Positive Profit Alert on 1 February 2015, stating that the company's annual net profit attributable to shareholders of the company witnessed a YoY growth of over 50% in 2015. The primary reasons for this growth include increases in 2015 operating revenues and corporate income tax rebates from five projects in Wuhan, Huizhou, Taizhou, Pingyang and Yongjia. Such data meet market expectations and may be slightly higher eventually.

### Valuation

In 2015, the company was awarded two new contracts with a total scale of 3,300 tonnes. Size of individual project was greater, so the profitability is expected to be more favourable, which will make a positive contribution to enhancing the company's performance in the next two years. The company's operating performance remains satisfactory, but economic downturn may result in a shortage of funds in local finances, and thus the company's cash flow may be affected to a certain extent. Therefore, we lower the company's target price to HK\$4.35 and the "Buy" rating is maintained. (Closing price as at 4 Feb 2016)

### BUY (Maintain)

CMP: HKD 3.50

(Closing price as at 4 Feb 2016)

TARGET: HKD 4.35

### 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 , %

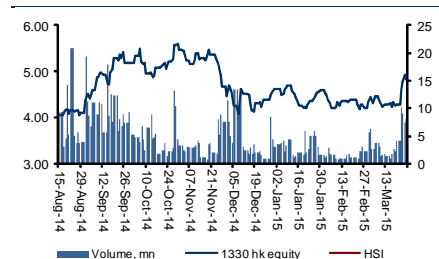
Beijing State-Owned Assets Management Co. Ltd	47.96
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### PRICE PERFORMANCE , %

	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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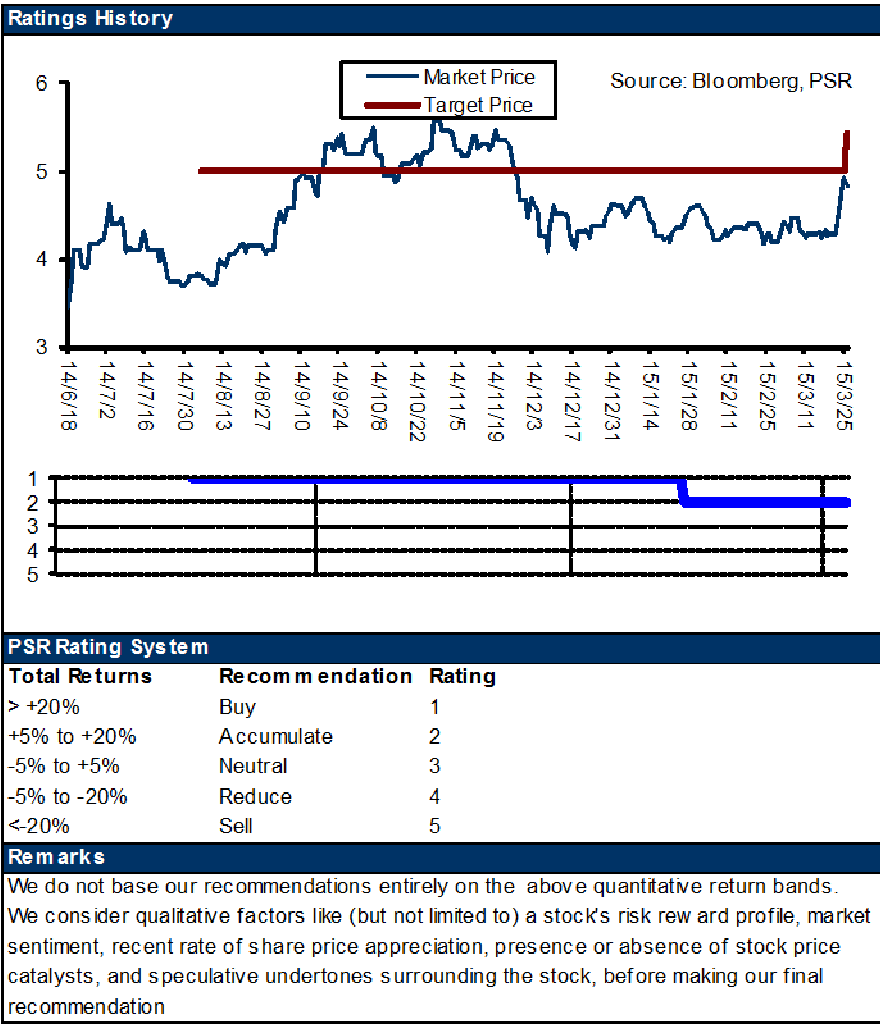
## Financials

For Financial Summary at the end of report

FYE	FY12	FY13	FY14	FY15F	FY16F
<b>Valuation Ratios</b>					
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%
<b>Per share data (RMB)</b>					
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
<b>Growth</b>					
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%
<b>Key Ratios</b>					
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%
<b>Income statement (thousand RMB)</b>					
<b>Operating revenue</b>	<b>932,126</b>	<b>975,185</b>	<b>1,226,310</b>	<b>1,571,462</b>	<b>1,758,693</b>
Cost of good sell	(698,949)	(688,022)	(849,159)	(1,115,738)	(1,143,150)
<b>Gross profit</b>	<b>233,177</b>	<b>287,163</b>	<b>377,151</b>	<b>455,724</b>	<b>615,543</b>
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)
<b>Operating profit</b>	<b>203,070</b>	<b>259,632</b>	<b>315,786</b>	<b>365,989</b>	<b>493,253</b>
Interest expense	(36,615)	(74,290)	(121,950)	(146,340)	(168,291)
<b>Profit before tax</b>	<b>166,455</b>	<b>185,342</b>	<b>193,836</b>	<b>219,649</b>	<b>324,962</b>
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%
<b>Net profit attributable to equity holders</b>	<b>146,340</b>	<b>150,901</b>	<b>142,045</b>	<b>175,719</b>	<b>259,970</b>
Dividend paid	0	0	0	0	0
<b>Balance Sheet (thousand RMB)</b>					
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
<b>Total Assets</b>	<b>2,413,193</b>	<b>3,350,495</b>	<b>4,462,217</b>	<b>5,000,601</b>	<b>5,591,099</b>
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
<b>Total Liabilities</b>	<b>1,216,541</b>	<b>2,139,062</b>	<b>2,284,825</b>	<b>2,613,083</b>	<b>2,895,639</b>
<b>Total shareholders' equity</b>	<b>1,196,652</b>	<b>1,211,433</b>	<b>2,177,392</b>	<b>2,387,518</b>	<b>2,695,460</b>
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 4 Feb 2016)



**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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