

# Baguio Green (01397.HK)

Delivered strong financial results in 1H2024

Hong Kong | Business and Professional Services

13 January 2025

Baguio Green Group ("Baguio") a leading integrated environmental services provider in Hong Kong, demonstrated robust financial performance in the first half of 2024, driven by its core business resilience and successful government contracts. Operating in essential service sectors including cleaning, waste management and recycling, landscaping, and pest control, the Company maintained growth momentum despite a challenging macroeconomic environment.

For the six months ended June 30, 2024, Baguio reported revenue of HK\$1.291 billion, a year-on-year increase of 16.6%, with profit for the period rising 18.5% to HK\$25.8 million. While the gross profit margin declined slightly to 7.5% due to rising labor costs, the strong performance of its cleaning and waste management segments offset this pressure. Baguio remains well-positioned as a provider of essential services with limited exposure to economic cycles, benefiting from growing government initiatives in sustainability and recycling. With a solid financial foundation, diverse revenue streams, and a clear growth trajectory supported by environmental policies, we expect FY2025E-FY2026E EPS to be HK\$12.6 cents and HK\$14.5 cents respectively, with PT of HK\$0.98, implies a FY2025E P/E of 7.8x (~3-yr historical average). Our investment rating is "Buy", with an optimistic outlook for its future performance.

## Delivered strong financial results in 1H2024

During the first half of 2024, Baguio delivered strong financial results, supported by growth across its major business segments. Revenue increased by 16.6% yoy to HK\$1.291 billion, underpinned by a 20.1% surge in cleaning services revenue, which contributed 80.2% of total revenue, reaching HK\$1.035 billion. This solid growth reflects the Company's success in securing new government contracts and expanding its service coverage. Additionally, the waste management and recycling segment recorded a 7.4% increase in revenue to HK\$147.3 million, with its gross margin improving significantly by 4.2 percentage points to 12.9%, driven by the maturity of the "Plastic Recycling Pilot Scheme" and the addition of new recycling points under government contracts.

Gross profit rose by 12.4% to HK\$97.07 million, despite a slight decline in the overall gross margin from 7.8% to 7.5%, mainly due to higher labor costs in the cleaning segment. This impact was mitigated by the improved profitability of the waste management and pest control segments, highlighting Baguio's ability to balance risks through its diversified business portfolio.

On cost management, administrative expenses remained well-controlled, with their share of total revenue decreasing to 4.8%. The Company also exhibited a healthy financial position, with its current ratio improving from 1.2x at the end of 2023 to 1.3x as of June 30, 2024. Bank borrowings decreased significantly by 47.5% year-on-year, and cash and bank balances surged by 84.3% to HK\$76.3 million, reflecting improved liquidity and reduced financial leverage.

## Buy

CMP HKD0.630  
(Closing price as of 8 January)  
Target HKD 0.98 (+55.5%)

### COMPANY DATA

O/S SHARES (MN) :	415.000
MARKET CAP (HKD MN) :	261.5
52 - WK HI/LO (HKD):	0.936/0.536

### SHARE HOLDING PATTERN, %

Mr. Ng Wing Hong	67.29%
Ms. Ng Yuk Kwan Phyllis	6.44%
David Michael Webb	6.00%

### PRICE VS. HSI



Source: Phillip Securities (HK) Research

### KEY FINANCIALS

HKD mn	FY22	FY23	FY24E	FY25E
Revenue	1,793	2,327	2,762	3,139
Net profit	54	47	52	60
Reported EPS	0.13	0.11	0.13	0.14
P/E ratio, x	4.9	5.5	5.0	4.4
Dividend Yield, %	1.4%	5.4%	5.9%	6.8%

Source: Company reports, Phillip Securities Est.

### Sr. Research Analyst

Eric Li (+852 2277 6516)

erichyli@phillip.com.hk

Baguio operates in four core segments: cleaning, waste management and recycling, landscaping, and pest control. These services are closely tied to the daily lives of Hong Kong residents. Cleaning services, the largest revenue contributor, benefited from comprehensive government contracts covering seven districts and serving a population of approximately 2.8 million. This reinforces Baguio's market leadership in Hong Kong's environmental services sector.

The waste management and recycling segment saw strong growth, bolstered by government initiatives to enhance recycling infrastructure. Despite the temporary suspension of the municipal waste charging scheme, the government accelerated its investment in recycling facilities, such as smart food waste recycling machines and mobile collection points. This directly drove growth in Baguio's recycling business. As a key contractor under the government's "Plastic Recycling Pilot Scheme," the Company is well-positioned to benefit from the upcoming Producer Responsibility Scheme for Beverage Containers, which is expected to further drive recycling volumes.

In addition, green technology has emerged as a new growth driver for Baguio. The Company has introduced smart recycling systems that integrate IoT technology and real-time data analytics, improving operational efficiency while reducing carbon emissions, which is highly consistent with the Hong Kong government's smart city and "Zero Landfill" goals. Its biochar plant, which began trial operations during the period, utilizes pyrolysis technology to convert yard waste into high-quality biochar, and further explored a high value-added environmental protection business model.

### Investment Thesis

Looking ahead, we expect Baguio to continue benefiting from the government's increased focus on environmental sustainability, including expanding the food waste recycling market and implementing the Producer Responsibility Scheme for Beverage Containers. According to 2022 data, Hong Kong generates approximately 3,330 tonnes of food waste daily, while current processing capacity stands at only 600 tonnes. This indicates enormous growth potential in the food waste recycling market. As a leader in Hong Kong's recycling industry, Baguio is well-positioned to capitalize on this opportunity, particularly with its smart food waste recycling machines already deployed across the city. Furthermore, the development of the Northern Metropolis is expected to create additional opportunities for Baguio's core services. The region is anticipated to provide 500,000 new housing units. These developments are likely to drive demand for cleaning and waste management services, providing sustained revenue growth for the Company. Financially, Baguio's contracts on hand as of June 30, 2024, reached HK\$4.6 billion, with HK\$1302 million scheduled for recognition by the end of 2024 and HK\$3297 million to be recognised over the next two years. This strong pipeline ensures high revenue visibility in the near to medium term. We expect FY2025E-FY2026E EPS to be HK\$12.6 cents and HK\$14.5 cents respectively, with PT of HK\$0.98, implies a FY2025E P/E of 7.8x (~3-yrs historical average). Our investment rating is "Buy".

### Risk factors

1) Market competition intensifies; 2) Soaring in operating cost; and 3) Unexpected slowdown in service demand.

## Financial

### Consolidated Statement of Profit or Loss

Dec Y/E, HKD mn	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	1,274	1,793	2,327	2,762	3,139
COGS	(1,165)	(1,642)	(2,121)	(2,552)	(2,903)
<b>Gross Profit</b>	109	151	206	210	236
Selling expenses	(2)	(2)	(2)	(2)	(3)
General & Admin exp	(92)	(101)	(129)	(132)	(152)
Others	22	30	4	5	6
Chg. in FV less costs to sell of bio. assets	(4)	(2)	(3)	-	-
<b>Operating Profit</b>	33	75	76	81	87
Finance costs, net	(5)	(8)	(14)	(10)	(5)
Share of result of a JV	(6)	(2)	-	-	-
<b>Profit before tax</b>	22	65	63	71	81
Income tax	(9)	(14)	(14)	(16)	(18)
<b>Shareholders Net profit</b>	13	54	47	52	60
<b>Reported EPS, Diluted</b>	0.03	0.13	0.11	0.13	0.14
<b>DPS</b>	0.009	0.038	0.034	0.037	0.043
<b>Payout ratio</b>	29%	29%	30%	29%	29%

### Key Financial Data

Dec Y/E	FY21	FY22	FY23	FY24E	FY25E
<b>Valuation Ratio</b>					
P/S ratio, x	0.2	0.1	0.1	0.1	0.1
P/E ratio, x	20.4	4.9	5.5	5.0	4.4
Dividend Yield, %	5.7%	1.4%	5.4%	5.9%	6.8%

### Per share data (HKD)

EPS	0.03	0.13	0.11	0.13	0.14
BVPS	0.69	0.81	0.89	0.98	1.09
DPS (HKD)	0.04	0.01	0.03	0.04	0.04

### Growth & Margin

<b>Growth</b>					
Revenue Growth	12.5%	40.8%	29.8%	18.7%	13.6%
Gross Profit Growth	71.5%	38.5%	36.5%	1.9%	12.3%
Operating Profit Growth	-	129.8%	1.5%	6.2%	6.9%
Net Profit Growth	-	318.1%	-12.3%	11.0%	14.7%
<b>Margin</b>					
Gross Profit Margin	8.6%	8.4%	8.9%	7.6%	7.5%
Operating Profit Margin	2.6%	4.2%	3.3%	2.9%	2.8%
Net Profit Margin	1.0%	3.0%	2.0%	1.9%	1.9%

### Key Ratios

ROE	4.5%	17.3%	13.3%	13.4%	13.8%
ROA	2.0%	6.9%	4.9%	5.2%	6.0%

### Consolidated Statement of Financial Position

Dec Y/E, HKD mn	FY21	FY22	FY23	FY24E	FY25E
<b>Non Current Asset</b>					
PPE	190	278	245	218	195
Others	89	87	83	75	67
<b>Total Non Current Assets</b>	279	365	327	293	262
<b>Current Asset</b>					
Inventory	4	3	3	5	7
Trade and other receivables	297	452	600	546	643
Bank balance and cash	32	29	41	98	47
Others	49	47	40	44	48
<b>Total Current Assets</b>	382	531	684	694	744
<b>Total Assets</b>	661	896	1,011	987	1,006
<b>Non Current Liabilities</b>					
Long-term debt	-	-	-	-	-
Other Non-current Liabilities	56	70	66	69	73
<b>Total Non-current Liabilities</b>	56	70	66	69	73
<b>Current Liabilities</b>					
Interest-bearing Borrowings	124	176	183	95	72
Trade payables	32	37	48	54	61
Others	163	277	345	359	342
<b>Total Current Liabilities</b>	319	490	576	508	475
<b>Equity</b>					
Shareholders' equity	287	338	370	408	453
Non-controlling interests	(0)	(2)	(0)	2	5
<b>Total equity</b>	287	336	370	411	458
<b>Total Liabilities and Equity</b>	661	896	1,011	987	1,006

### Consolidated Statement of Cash Flow

Dec Y/E, HKD mn	FY21	FY22	FY23	FY24E	FY25E
<b>CFO</b>					
Profit before income tax	22	65	63	71	81
D&A add-back	50	65	85	70	62
Others	8	4	15	3	(2)
Net (inc)/dec working capital	8	(44)	(67)	67	(112)
<b>Net cash flow from operating activities</b>	88	90	96	210	29
<b>CFI</b>					
Purchase of PP&E	(76)	(135)	(44)	(43)	(39)
Others	8	7	(6)	3	2
<b>Net cash flow from investing activities</b>	(68)	(129)	(49)	(40)	(37)
<b>CF</b>					
Dividends paid	(15)	(4)	(16)	(14)	(15)
Interest paid	(3)	(7)	(11)	(10)	(5)
Others	2	46	(7)	(88)	(23)
<b>Net cash flows from financing activities</b>	(16)	36	(34)	(112)	(44)
<b>Net Change in Cash</b>	4	(3)	13	57	(51)
<b>Cash and CE at Y/E</b>	29	32	41	98	47

Current Price as of: January 8

Source: PSHK Est.

### 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>.

© 2025 Phillip Securities (Hong Kong) Limited

**Contact Information (Regional Member Companies)**
**SINGAPORE**
**Phillip Securities Pte Ltd**

250 North Bridge Road, #06-00 Raffles City Tower,  
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

[www.phillip.com.sg](http://www.phillip.com.sg)

**INDONESIA**
**PT Phillip Securities Indonesia**

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,  
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

[www.phillip.co.id](http://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 2268 0999 Fax: (66) 2 2268 0921

[www.phillip.co.th](http://www.phillip.co.th)

**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

**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 (60) 3 2162 8841 Fax (60) 3 2166 5099

[www.poems.com.my](http://www.poems.com.my)

**CHINA**
**Phillip Financial Advisory (Shanghai) Co. Ltd.**

No 436 Heng Feng Road, Green Tech Tower Unit 604  
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

[www.phillip.com.cn](http://www.phillip.com.cn)

**FRANCE**
**King & Shaxson Capital Ltd.**

3rd Floor, 35 Rue de la Bienfaisance  
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

[www.kingandshaxson.com](http://www.kingandshaxson.com)

**AUSTRALIA**
**PhillipCapital Australia**

L Level 10, 330 Collins Street  
Melbourne VIC 3000 Australia

Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277

[www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**HONG KONG**
**Phillip Securities (HK) Ltd**

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

[www.phillip.com.hk](http://www.phillip.com.hk)

**JAPAN**
**Phillip Securities Japan, Ltd**

4-2 Nihonbashi Kabutocho, Chuo-ku  
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

[www.phillip.co.jp](http://www.phillip.co.jp)

**INDIA**
**PhillipCapital (India) Private Limited**

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,  
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

[www.phillipcapital.in](http://www.phillipcapital.in)

**UNITED KINGDOM**
**King & Shaxson Ltd.**

6th Floor, Candlewick House, 120 Cannon Street  
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

[www.kingandshaxson.com](http://www.kingandshaxson.com)

**SRI LANKA**
**Asha Phillip Securities Limited**

Level 4, Millennium House, 46/58 Navam Mawatha,  
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

[www.ashaphillip.net/home.htm](http://www.ashaphillip.net/home.htm)