

01 April 2015

BUY
Unchanged

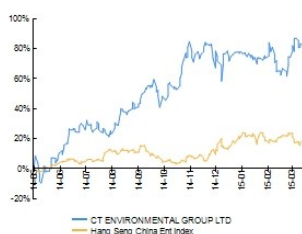
外延式扩张带来高增长

中滔环保 (1363:HK)

Market Data: Mar,31

Closing Price (HK\$)	8.36
Price Target (HK\$)	10.1
HSCEI	12,346
HSCCI	4,650
52-week High/Low (HK\$)	8.63/4.04
Market Cap (US\$m)	1,619
Market Cap (HK\$m)	12,555
Shares Outstanding (m)	1,529
Exchange Rate (Rmb-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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"CT Environmental Group – Valuation

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (HK\$m)	484.84	1,032.54	1,287.67	1,681.41	2,101.76
YoY (%)	26.33	112.96	24.71	30.58	25.00
Net income (HK\$m)	224.42	424.67	517.89	701.83	995.92
YoY (%)	26.63	89.23	21.95	35.52	41.90
EPS (HK\$)	0.20	0.30	0.36	0.49	0.69
Diluted EPS (HK\$)	0.20	0.30	0.36	0.49	0.69
ROE (%)	57.55	29.53	30.21	28.79	29.17
Debt/asset (%)	40.35	47.59	49.57	48.36	47.65
Dividend Yield (%)	0.30	0.60	0.78	1.00	1.20
PE (x)	41.6	28.4	23.3	17.2	12.1
PB (x)	10.68	6.36	5.85	4.36	3.50
EV/Ebitda (x)	44.92	24.05	18.22	13.63	9.01

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

业绩超预期。中滔环保公布 2014 年业绩。收入增长 113% 至 10.3 亿港元，净利润增长 89.3% 至 4.247 亿港元，高于预期 6%。全年 EPS 为 0.3 港币，同比增长 50%。

污泥处理占比从 4% 提升至 28%。公司污水处理业务收入增长 66% 至 4.448 亿港元，占收入 43%。污泥处理业务增长 1500% 至 3.06 亿港元，占比 30%。公司 14 年 5 月收购清远绿由，为污泥处置业务打开空间。综合毛利率从 63.1% 下滑至 56.4%，主要由于污泥业务大幅扩张，毛利率 49% 较污水业务毛利率 70% 低。

外延式收购带来高增长。公司 14 年战略为外延式收购，收购清远绿由，广州绿由等公司。污水处理产能增长 41% 至 725,000 立方米每日，污泥处理产能从 383 吨每日增长至 2442 吨每日。两项业务均称为广东最大。随着公司未来将完成广州绿由收购，危废业务也将大幅增长。

维持买入。我们上调公司 EPS 预测至 15/16/17 年 0.36/0.49/0.69 港币。考虑到广州绿由收购尚未完成，我们暂时不并入公司盈利预测。成功收购将增厚公司未来盈利。我们维持买入评级，上调目标价至 10.1 港币，有 21% 上行空间。

Results beat. CT Environmental reported 2014 revenue of HK\$1.03bn (+113% YoY) and net profit of HK\$424.7m (+89.3% YoY). Net profit came in 6% higher than the market's expectations and 6% above our expectations. EPS stood at HK\$0.3 (+50% YoY).

Sludge treatment business increased from 4% to 30%. Wastewater treatment (WWT) revenue is HK\$444.8m (+66% YoY), accounting for 43% of total revenue. Sludge treatment revenue is HK\$306.9m (+1500% YoY), accounting for 30% of total revenue, thanks to the successful acquisition of Qingyuan Lvyou in May, 2014. Total gross profit increased 90% to HK\$582.19mn. Overall gross margin declined from 63.1% to 56.4% as sludge treatment margin is 49% while WWT treatment margin remains high at 70%.

External acquisitions drives high growth. CT Environmental has made numerous acquisitions including Qingyuan Lvyou and Guangzhou Lvyou. WWT treatment capacity increased 41% to 725,000t per day. Sludge treatment capacity increased from 383t per day to 2,442 t perday. Both business becomes the largest player in Guangdong. With the future potential consolidation of Guangzhou Lvyou, Hazardous waste treatment will also become a key driver with high growth potential.

Maintain BUY. We revise up our EPS forecast from HK\$0.33 to HK\$0.36 in 15E (+20% YoY), from HK\$0.45 to HK\$0.49 in 16E (+25% YoY) and introduce a new EPS forecast of HK\$0.69 in 17E (+41% YoY). Since its Guangzhou Lvyou's deal is not yet complete, we have not priced this into our forecast. A successful completion of Lvyou will result in 15% to 20% higher earnings in FY15 and onwards. We raise our target price from HK\$9.5 to HK\$10.1 based on 28x 15E PE. With 21% upside, we maintain our BUY recommendation.

APPENDIX

Table 1: Consolidated Income Statement

HK\$m	2013	2014	2015E	2016E	2017E
Revenue	485	1,033	1,288	1,681	2,102
CostofSales	(179)	(450)	(499)	(630)	(841)
GrossProfit	306	582	788	1,051	1,261
OtherIncome	20	25	10	10	12
SGAExpenses	42	85	131	171	213
EBITDA	268	501	662	885	1,052
EBIT	264	497	657	880	1,048
FinanceCosts	32	54	82	88	58
ProfitBeforeTax	274	472	585	802	1,002
IncomeTaxExpense	49	44	64	96	0
MinorityInterests	0	4	3	4	6
ProfitfortheYear	224	425	518	702	996

Source: SWS Research

Table 2: Consolidated Cash Flow Statement

HK\$m	2013	2014	2015E	2016E	2017E
ProfitBeforeTaxation	274	472	585	802	1,002
DeprAndAmortisation	4	4	4	4	4
FinanceCost	32	54	82	88	58
LossesFromInvestments	0	0	0	1	2
ChangeInWorkingCapital	18	(564)	(122)	(383)	(613)
Others	1	0	0	0	0
CFFFromOperatingActivities	329	(34)	550	511	451
CAPEX	(350)	(1,200)	(489)	(499)	(300)
OtherCFFFromInvestingActivities	0	0	0	0	0
CFFFromInvestingActivities	(350)	(1,200)	(489)	(499)	(300)
EquityFinancing	536	384,000	0	0	0
NetChangeInLiabilities	50	470	50	50	50
DividendAndInterstPaid	(40)	(50)	(50)	(50)	(50)
OtherCFFFromFinancingActivities	(100)	(80)	(80)	(80)	(80)
CFFFromFinancingActivities	446	724	(80)	(80)	(80)
NetCashFlow	425	(510)	(19)	(68)	71
FCFF	10	446	148	129	61
FCFE	446	148	129	61	133

Source: SWS Research

Table 3: Consolidated Balance Sheet

HK\$m	2013	2014	2015E	2016E	2017E
CurrentAssets	750	808	737	1,593	2,206
BankBalancesAndCash	446	148	(113)	330	330
TradeAndOtherReceivables	303	651	847	1,259	1,872
Inventories	1	9	3	4	4
OtherCurrentAssets	2	3	4	5	6
LongTermInvestment	187	0	200	220	220
PPE	512	1,583	1,900	2,280	2,735
IntangibleAndOtherAssets	443	1,143	835	576	576
TotalAssets	1,892	3,615	3,880	4,720	5,511
CurrentLiabilities	208	684	742	774	774
Borrowings	52	378	378	378	378
TradeAndOtherPayables	138	281	350	380	380
OtherCurrentLiabilities	18	25	14	16	16
LongTermLiabilities	556	1,036	1,078	1,183	1,297
TotalLiabilities	763	1,721	1,820	1,957	2,071
MinorityInterests	3	4	5	6	6
ShareholderEquity	1,128	1,895	2,060	2,762	3,440
ShareCapital	138	144	138	138	138
Reserves	622	1,039	1,557	2,259	2,937
EquityAttributable	1,892	3,615	3,880	4,720	5,511
TotalLiabilitiesAndEquity	750	808	737	1,593	2,206

Source: SWS Research

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