

Technovator (1206 HK)

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Company Update

BUY

UNCHANGED

Close price: HK\$3.61

Target Price: HK\$5.10 (+41%)

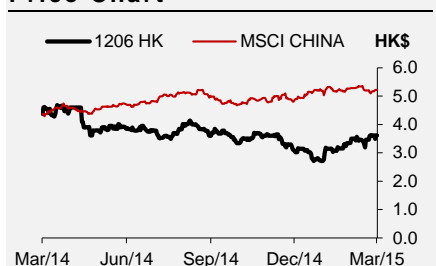
Prior TP: HK\$5.10

Key Data

HKEx code	1206
12 Months High (HK\$)	4.80
12 Month Low (HK\$)	2.57
3M Avg Dail Vol. (mn)	0.85
Issue Share (mn)	644.23
Market Cap (HK\$m)	2,325.66
Fiscal Year	12/2013
Major shareholder (s)	Tsinghua Tongfang (600100 CH) (41.62%)

Source: Company data, Bloomberg, OP Research
Closing price are as of 18/03/2015

Price Chart



	1mth	3mth	6mth
Absolute %	8.1	17.6	-3.0
Rel. MSCI CHINA %	8.9	10.3	-7.8

Company Profile

Technovator International is a market leader in building energy saving solution in China, its energy saving solution includes (1) integrated building automation systems (iBAS) and (2) energy management systems (EMS) which these two segments accounted for 85% of company sales. TNI ranked No.1 among other domestic EMS players in China with approximately 5.0% market share in 2012. It is penetrating to energy management contract in power generation in China.

FY14 result First take

- **FY14 results with revenue up 33% to USD221mn and net profit up 57%yoy to USD24.5mn, beat our estimates by 23% and 9% respectively, mainly driven by (1) 126%yoy growth from industry energy saving solution which now accounts for 18.7% of revenue, up from 10.7% in FY13, thanks to more projects kicking off revenue sharing period, and (2) 63.3%/17.7%yoy growth from EMS/iBAS thanks to good progress in “city-level efficiently retrofit”**
- **Our earnings estimate is under review with key focus on (1) the progress of ramping up in EMC model and (2) future market share gains by leveraging on domestic leader position and potential M&A in China**
- **Reiterate BUY with TP at HK\$5.10. The stock currently trades at FY8.5x/6.1x FY15/16E PE with 41% earnings CAGR from 2014-2018.**

FY14 result beats. Technovator (TNI) announced FY14 results with revenue up 33% to USD221mn, beat our estimates by 23%, mainly driven by 40%yoy growth in PRC market given (1) 126%yoy growth from industry energy saving solution which now accounts for 18.7% of revenue, up from 10.7% in FY13, thanks to more projects kicking off revenue sharing period, and (2) 63.3%/17.7%yoy growth from EMS/iBAS thanks to good progress in “city-level efficiently retrofit”. Overall net profit was up 57%yoy to USD24.5mn, 9% higher than our estimates, thanks to rising operating leverage.

Our earnings estimate is under review upon the release of FY15 guidance and update from mgmt on EMC business outlook. TNI announced to spin off its overseas platform Distech Control on Mar 10, 2015. We expect the ~CAD148mn net proceeds to release its financial capacity for future EMC expansion and potential M&A in China. Key investment focus for TNI is (1) to reap the booming energy saving market in China with gradual transition from EPC to EMC model, which enables substantial margin upside with strong earnings visibility as more project kicks off revenue sharing and (2) future market share gains leveraging on its domestic leader position by vertical integration with M&As and penetration into more diversified customer bases from SOE to commercial customers.

Reiterate BUY on undemanding valuation. We reiterate our BUY rating on Technovator with TP at HK\$5.10. The stock currently trades at 8.5x/6.1x FY15/16E PE with 41% earnings CAGR from 2014-2018.

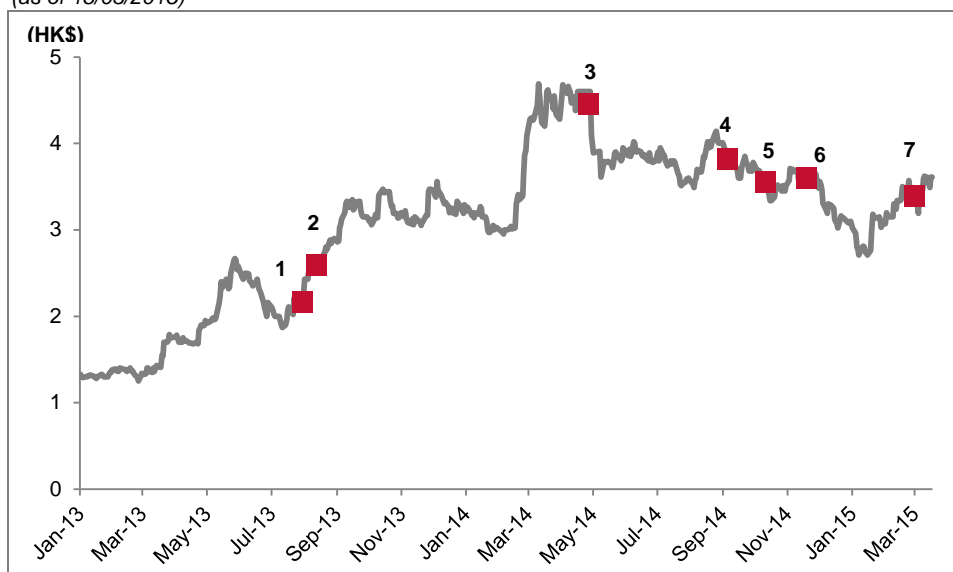
Risks: (1) projects delay (3) delay in ramping up its EMC business

Our recent reports

Date	Company / Sector	Stock Code	Title	Rating	Analyst
18/03/2015	JuTeng Int'l	3336	In-line FY14 result; Margin expansion resumed	BUY	Yuji Fung
17/03/2015	Kwoon Chung Bus	306	Value unlocked	NR	Bruce Yeung
12/03/2015	BWI Int'l	2339	FY14 earnings hit huge gain of HK\$169 mn	NR	Kelvin Ng
10/03/2015	Technovator	1206	Spin-off and poised to swamp China	BUY	Yuji Fung
03/03/2015	TCL COMM	2618	Strong guidance ahead	BUY	Yuji Fung
06/02/2015	Technovator	1206	Positive signaling from stake increase by ParentCo	BUY	Yuji Fung
04/02/2015	Beijing Properties	925	Divest for reinvesting logistics properties	BUY	Bruce Yeung
03/02/2015	TK Group	2283	When the best is served by the best of best	NR	Lindsay Hu/ Yuji Fung
15/01/2015	Ju Teng Intl	3336	Correction overdone	BUY	Yuji Fung
12/01/2015	TCL COMM	2618	Profits soar with Iron Man, X-men and OneTouch	BUY	Yuji Fung
09/01/2015	Technovator	1206	Past year promising, New Year winning	BUY	Yuji Fung
06/01/2015	Sinomedia	623	Downgrade on economic slowdown	HOLD	Yuji Fung
05/01/2015	SCUD Group	1399	Beneficiary of Xiaomi Success	BUY	Yuji Fung
22/12/2014	China Fiber Optic Network	3777	Penetrating into a broadband service provider	BUY	Yuji Fung
10/12/2014	SCUD Group	1399	Introducing Value Partner as 2nd largest shareholder	BUY	Vivien Chan/ Yuji Fung
08/12/2014	Great Wall Motor	2333	SUV sales accelerates	BUY	Vivien Chan
27/11/2014	PAX Global	327	Overseas expansion on track	HOLD	Vivien Chan
26/11/2014	BWI Intl	2339	A Chinese-owned, Global Auto Parts Leader with a strong product	NR	Vivien Chan
24/11/2014	Tiangong	826	Solid order growth remains	BUY	Vivien Chan
19/11/2014	Sinotrans	598	A shift to risk aversion	HOLD	Bruce Yeung
17/11/2014	CMGC	8081	Mobile game coming to the stage	NR	Lindsay Hu/ Yuji Fung
13/11/2014	HC International	2280	3Q14 results miss	BUY	Yuji Fung
13/11/2014	CFON	3777	In line 3Q14 operation results	BUY	Yuji Fung
12/11/2014	Shenzhen International	152	A visionary logistics development plan with solid executions	BUY	Bruce Yeung
11/11/2014	UKF	8168	Interim results meet expectation	NR	Lily Man
11/11/2014	Geely Auto	175	Xindihao sales is ramping up	BUY	Vivien Chan
05/11/2014	UKF	8168	Got Fur	NR	Lily Man

Historical recommendations and target price: Technovator (1206 HK)

(as of 18/03/2015)



1	26 Jul 2013	BUY, Target price HK\$3.40	5	15 Aug 2014	BUY, Target price change HK\$ 4.6
2	20 Aug 2013	BUY, Target price change HK\$4.40	6	20 Oct 2014	BUY, Target price change HK\$ 4.5
3	24 Mar 2014	BUY, Target price change HK\$5.25	7	10 Mar 2015	BUY, Target price change HK\$ 5.1
4	01 Aug 2014	BUY, Target price change HK\$ 4.3			

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Buy (B)	We expect this stock outperform the relevant benchmark greater than 15% over the next 12 months.
Hold (H)	We expect this stock to perform in line with the relevant benchmark over the next 12 months.
Sell (S)	We expect this stock to underperform the relevant benchmark greater than 15% over the next 12 month.
Relevant Benchmark	Represents the stock closing price as at the date quoted in this report.

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