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99 East Nanjing Road, Shanghai | +86 21 2329 7818
www.swsresearch.com

Environment| Company Research

Bringing China to the World

19March 2015

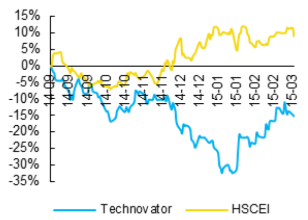
BUY
Unchanged

工业节能盈利反转，持续高增长同方泰德 (1206:HK)

Market Data: Mar,18

Closing Price (HK$)	3.61
Price Target (HK$)	5.50
HSCEI	11,982
HSCCI	4,463
52-week High/Low (HK$)	7.09/0.94
Market Cap (US$m)	299
Market Cap (HK$m)	2,325
Shares Outstanding (m)	644
Exchange Rate (Rmb-HK$)	1.27

Price Performance Chart:



Source: Bloomberg

Analyst

Rong Ye A0230512110001
AYZ033

Dimi Du A0230514070005
BEE282

Daniel Huang A0230513030001
BDQ227

Related Reports

"Home Focus TECHNOVATOR INTERNATIONAL(1206:HK)"
Mar 11, 2015

"In the market for efficiency TECHNOVATOR INTERNATIONAL(1206:HK)"
Mar 10, 2015

Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (US$m)	167	221	273	344	444
YoY (%)	34.1	32.9	23.3	25.8	29.3
Net income (US$m)	15.6	24.5	35.8	48.7	68.1
YoY (%)	16	57	46	36	40
EPS (US$)	0.026	0.039	0.056	0.076	0.106
Diluted EPS (US$)	0.023	0.035	0.051	0.069	0.096
ROE (%)	14.61	18.29	20.69	21.58	22.74
Debt/asset (%)	67.2	79.1	77.4	76.4	75.7
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
PE (x)	20.2	13.2	9.2	6.8	4.8
PB (x)	2.4	2.2	1.9	1.4	1.0
EV/Ebitda (x)	8.5	6.9	4.1	2.7	1.7

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

2014 年盈利超预期同方泰德公布了 2014 年全年业绩，净利润达 24.5 百万美元，每股盈利为 0.0393 美元。净利润比我们此前预测的 22.3 百万美金高出 9%，其中工业节能业务所贡献的利润是个正面的惊喜。

工业节能盈利反转同方泰德的母公司同方股份（600100:CH)于 2014 年 8 月把工业节能业务的平台“同方节能工程技术有限公司”（同方节能）注入到同方泰德。当时公司股价在 2014 年 4 月份宣布资产注入后短期见顶，主要一个原因是在交易材料中显示的同方节能 2013 年的净利润是亏损的（税前亏损 2.56 百万美元）。这使投资者对注入资产的盈利能力产生了质疑，并对同方股份先孵化后注入的模式产生了担心。这次 2014 年年报显示，工业节能业务不仅没有亏损，反而在 2014 年实现了税前 2.84 百万美元的盈利，远远好于我们此前预计的盈亏平衡。随着节能业务更多的 EMC 项目开始贡献盈利，我们预计 2015 年这块业务的盈利有可能会翻倍。

节能行业大环境持续高增长我们认为中国政府将持续全力支持节能环保行业，严格控制污染以及保证国家能源安全，这将会拉动节能市场的高速发展。整个节能管理合同（EMC）的项目投资额将从 2014 年的人民币 901 亿元增长到 2020 年的 18600 亿元，六年复合增长率为 14%。作为国内无可争议的 EMC 龙头企业，公司将是行业高增长的最大受益者。此外，2014 年业绩验证了我们认为同方泰德正在通过提供更多的工业和城市相关的节能服务整合整个节能产业链的判断。

维持买入评级我们对工业节能的盈利前景更加乐观，因此上调 2015 年的净利预测至 35.8 百万美元（同比增长 46%，之前预测为 29.5 百万美元），上调 2016 年净利预测至 48.7 百万美元（同比增长 36%,之前预测为 41.3 百万美元）。我们同时上调了 2015 年的目标价从 5.00 港币至 5.50 港币，目标价隐含 2015 年 14 倍市盈率。保守起见，我们的财务模型尚未反映剥离北美子公司 Distech Controls 业务后的增厚效应，在项目获股东大会和交易所批准后，我们将做这一调整。基于目标价对目前股价有 52%的上升空间，我们重申买入评级。

Better-than-expected results Technovatorannounced 2014 net profit of US$24.5m (+57%YoY) or an EPS of US$0.0393. The bottom line was 9% higher than our estimate of US$22.3m, due chiefly to better-than-expected contribution from the company's industrial energy savings (IES) business.

IES turnaround. The company expanded into IES through its acquisition of Tongfang EnergySaving Engineering Technology (TESET) in August 2014 from parent company Tsinghua Tongfang (600100:CH). Its share price declined after the announcement as TESET reported a pre-tax loss of US$2.56m in 2013, sparking investor concerns that the deal represented value destruction. However, the IES business generated profit before tax of US$2.84m in 2014, better than our expectation that it would merely breakeven. With more projects under energy management contracts (EMC) to start contributing to earnings, we expect the company's IES earnings to double YoYin 15E.

High visibility of growth opportunities We expect government efforts to improve energy efficiency, reduce pollution and ensure the country's energy security will drive rapid growth in the market for energy savings services. We expect total project investment under EMCs to rise from Rmb90.1bn in 2014 to as much as Rmb1.86tn in 2020, a six-year Cagr of 14%. In addition, we expect Technovator to generate additional growth as it builds up its IES business.

Maintain BUY. To reflect higher earnings visibility of the IES business, we raise our earnings forecast from US$29.5m to US$35.8m (+46% YoY) in 15E and from US$41.3m to US$48.7m (+36% YoY) in 16E. Our earnings forecasts still include contribution from DistechControls until such time as the company's recently announced disposal deal is approved at both an extraordinary general meeting (EGM) and by the Stock Exchange of Hong Kong. We raise our target price accordingly from HK$5.0 to HK$5.5, representing 14x 15E PE. With 52% upside, we maintain our BUY rating on the stock.

APPENDIX

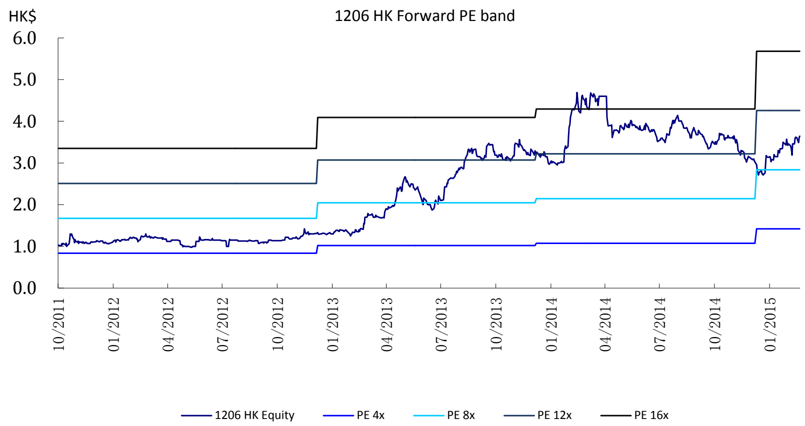
Fig 1: Earnings forecasts for Technovator on Ebitdabasis

USD M	2010	2011	2012	2013	2014	2015E	2016E	2017E
Segment profit (Ebitda)								
BAS PRC	6.2	8.8	9.3	10.9	12.3	13.6	15.2	17.0
BAS NORTH AMERICA	3.4	4.1	4.0	4.6	6.1	5.6	5.7	5.8

BAS EUROPE	0.1	2.2	1.7	2.3	3.5	3.5	4.0	4.7
BAS OTHER CONTIRES	-0.6	1.2	1.0	1.8	1.5	1.2	1.2	1.2
CSS PRC	0.3	0.5	1.1	1.1	0.8	0.8	0.8	0.8
FAS PRC	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.3
EMS PRC	3.2	3.6	6.7	10.8	16.7	24.6	36.9	55.4
IES				1.7	10.4	19.4	29.0	43.6
Total profit	**12.7**	**20.6**	**23.9**	**33.4**	**51**	**69**	**93**	**129**
Ebitdamargin								
BAS PRC	20%	20%	17%	18%	18%	18%	18%	18%
BAS NORTH AMERICA	17%	19%	14%	16%	17%	15%	15%	15%
BAS EUROPE	2%	18%	14%	16%	17%	15%	15%	15%
BAS OTHER CONTIRES	-85%	21%	14%	16%	17%	15%	15%	15%
CSS PRC	3%	4%	6%	6%	4%	4%	4%	4%
FAS PRC	8%	8%	15%	15%	16%	15%	15%	15%
EMS PRC	56%	48%	51%	49%	46%	45%	45%	45%
IES				10%	26%	30%	30%	30%
Overall Ebitdamargin	**17%**	**20%**	**18%**	**19%**	**22%**	**24%**	**26%**	**28%**

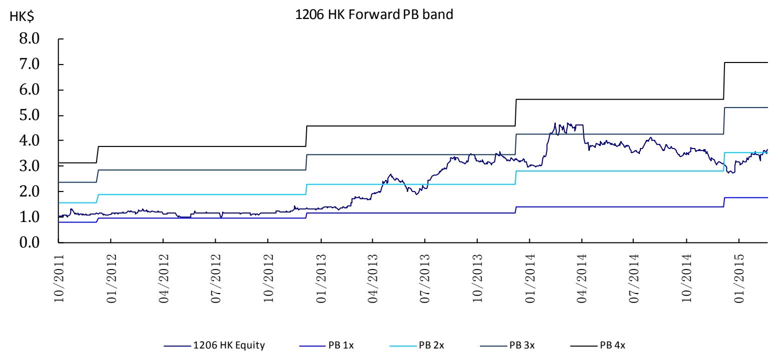
Source: Company, SWS Research

Fig 2:Technovatorforward PE



Source: Bloomberg, SWS Research

Fig 3:Technovatorforward PB



Source: Bloomberg, SWS Research

Consolidated Income Statement

(US$m)	2013	2014	2015E	2016E	2017E
Revenue	167	221	273	344	444
Cost of Sales	(110)	(144)	(171)	(210)	(264)
Gross Profit	56	77	102	134	180
Other Income	3	4	6	7	9

Distribution expenses	(13)	(15)	(18)	(23)	(29)
Adminstrative expenses	(21)	(26)	(32)	(40)	(52)
EBITDA	30	48	67	91	125
EBIT	25	41	58	78	108
Finance Costs	(3)	(5)	(5)	(7)	(9)
Profit before tax	22	36	52	71	99
Income tax expense	(5)	(9)	(13)	(18)	(26)
Minority interests	1	2	3	4	6
Profit for the year	16	25	36	49	68

Source: Company, SWS Research

Consolidated Cash Flow Statement

(US$m)	2013	2014	2015E	2016E	2017E
Profit before taxation	25	36	52	71	99
Plus：D&A	5	7	9	13	17
Finance cost	1	4	4	5	6
Losses from investments	2	0	0	0	0
Change in working capital	18	(36)	8	(12)	(21)
Others	(6)	(9)	(13)	(18)	(26)
CF from operating activities	12	2	60	58	76
CAPEX	(12)	(19)	(23)	(29)	(37)
Other CF from investing activities	(19)	20	2	2	3
CF from investing activities	(32)	2	(21)	(27)	(35)
Equity financing	(1)	0	0	0	0
Net change in liabilities	43	32	23	33	48
Dividend and interest paid	0	0	0	0	1
Other CF from financing activities	(9)	0	0	0	0
CF from financing activities	33	32	23	33	48
Net cash flow	14	35	62	65	90
FCFF	41	3	65	68	93
FCFE	66	70	81	113	162

Source: Company, SWS Research

Consolidated Balance Sheet

(US$m)	2013	2014	2015E	2016E	2017E
Current Assets	177	219	302	401	543
Bank balances and cash	69	74	151	216	306
Trade and other receivables	89	124	118	146	189
Inventories	17	18	30	36	46

Long-term investment	30	51	51	51	51
PP&E	58	56	20	27	35
Intangible and other assets	37	40	52	61	73
Total Assets	300	362	422	537	699
Current Liabilities	121	152	191	249	330
Borrowings	68	102	128	163	213
Trade and other payables	86	84	98	121	152
Other current liabilities	2	4	4	4	4
Long-term liabilities	38	38	38	38	38
Total Liabilities	194	228	268	326	407
Minority Interests	5	5	8	12	18
Shareholder Equity	107	134	173	226	299
Share Capital	38	98	98	98	98
Reserves	64	31	67	116	184
Equity attributable	102	129	165	214	282
Total Liabilities and equity	300	362	422	537	699

Source: Company, SWS Research

Key Financial Ratios

	2013	2014E	2015E	2016E	2017E
Ratios per share (USD)					
Earnings per share	0.02550	0.03930	0.056	0.076	0.106
Operating CF per share	0.022	0.034	0.093	0.091	0.118
Dividend per share	0.00	0.00	0.00	0.00	1.00
Net assets per share	0.20	0.21	0.24	0.33	0.45
Key Operating Ratios(%)					
ROIC	8.23	10.55	14.79	17.25	20.07
ROE	14.61	18.29	20.69	21.58	22.74
Gross profit margin	33.76	34.79	37.36	38.93	40.61
EBITDA Margin	17.88	21.46	24.55	26.41	28.22
EBIT Margin	14.99	18.45	21.11	22.68	24.35
Growth rate of Revenue(YoY)	34.11	32.93	23.32	25.79	29.33
Growth rate of Profit(YoY)	16.32	57.48	45.86	36.14	39.81
Debt-to-asset ratio	67.20	79.07	77.37	76.44	75.70
Turnover rate of net assets	156.21	165.09	177.31	162.71	152.02
Turnover rate of total assets	55.45	61.14	64.76	64.00	63.56
Effective tax rate (%)	23.85	25.69	25.69	25.69	25.69
Dividend yield (%)	0.00	0.00	0.00	0.00	0.04
Valuation Ratios (X)					
P/E	20.2	13.2	9.2	6.8	4.8
P/B	2.4	2.2	1.9	1.4	1.0
EV/Sales	1.5	1.5	1.0	0.7	0.5
EV/EBITDA	8.5	6.9	4.1	2.7	1.7

Source: Company, SWS Research

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