

## China Communication Construction (CCC)

1800 HK

Share price (17 Mar): **HKD 9.44**

12-mth rating: **Hold (3)**

Target price: **HKD 9.3 (based on 8x 2016 PER)**

# 2015 revenue target set at CNY395bn, in line with our forecast

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based on a PER of 8x (in line with the past-5-year average) applied to our core 2016E EPS. Key risks to our view are: local government funding issues, as well as lower or higher profit margins and lower or higher interest expenses vs. our expectations.

*In the interests of timeliness, this document has not been edited.*

#### ■ What's new

China Communication Construction (CCC) has set its revenue target of CNY395bn for 2015, in line with our forecast of CNY392bn. The new contract target for 2015 is CNY650bn. The board also agreed to an internal consolidation of its dredging business for the purposes of establishing CCC Dredging Group.

#### ■ Analysis

CCC's revenue target of CNY395bn is in line with our expectation, representing about 9% growth on our revenue estimate of CNY359bn for 2014. We believe the board's approval for the consolidation of its dredging business is for the potential spin-off of the dredging group, as we see funding pressure going forward for the domestic construction projects it is engaged in, given the local governments' high debt levels. We have net debt to equity ratio forecasts of 128%/144% for 2014/2015 given the high capex needs on CCC's continuing investments in BT/BOT projects.

#### ■ Recommendation

We have a Hold (3) rating on the stock with a target price of HKD9.3,

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