

Equities

Hong Kong/China

Company Update

## Company Report

# SPT Energy (1251 HK)

24 March 2015

### Results Fell Sharply, but High Risk Resistance

SPT Energy announced in its annual report that net profit attributable to shareholders totaled Rmb120m in 2014, down 61.3% YoY, on turnover of Rmb2.19bn, down 9.0% YoY. Basic earnings per share were Rmb0.08 apiece and no final dividend was proposed.

- Industry climate at a low level; results retreat but better than peers:** As oil prices plunged in 2H14, oilfield services companies all suffered falling demand and decline in operating margins. As SPT didn't invest heavily in capital-intensive assets in previous years, it's relatively less affected, but decreasing services fee still ate into profits. The company adopts a prudent approach by operating in light-capital mode, which lowers its financial and operating cost pressures amid industry downturn. Despite the flagging results, it still slightly outperformed its peers and is expected to have greater risks resistance in the future.
- Revenue base remains solid, waiting for recovery in market sentiment:** Dragged by high inventory levels, oil prices are projected to remain under pressure at least in 1H15, which will exert direct impact on oilfield services demand. Due to a high base, SPT's oil services business in 1H15 may decrease as compared to the same period last year. But we believe Tarim and Kazakhstan will be key oil and gas development regions in recent years, and SPT's exploration and development scale will not decline. Plus progress made in multiple areas, including Turkmenistan, Tuha oilfield, Sichuan Anyue oilfield, etc, and breakthroughs for its domestic shale gas schemes, SPT's revenue base is still solid, but improvement in profitability will still depend on recovery in sentiment of the oil and gas market. Once the sentiment improves, profit margin will hopefully surge, propping up overall operational status.
- Tenge devaluation affects short-term profits, forex losses expected to decrease:** Projects in Kazakhstan contributed Rmb910m in revenue last year, accounting for 41.7% of SPT's overall revenue. By the year end, accounts receivables denominated in Tenge reached Rmb550m, or 39.1% of the aggregate amount, as forex losses turned out to be less than expected at Rmb21.5m. Tenge will face limited depreciation pressure in 2015 in our view, so the adverse impact on SPT's results will also be minor.
- Maintain "Buy":** The company's results declined significantly, but we believe its asset-light operating mode gives it a relatively high risk resistance. Its solvency ratios are healthy. Its share prices fall below net asset value, which is relatively low. We lower the company's earnings forecast and expect its 2015-17 revenue to be Rmb2.04bn, Rmb2.28bn and Rmb2.62bn respectively. Profits attributable to shareholders were Rmb115m, Rmb168m and Rmb231m respectively, with EPS of Rmb0.08, Rmb0.11 and Rmb0.15 respectively. We given the company a target price of HK\$1.50, equivalent to PB of about 1x. Maintain "Buy".

### Investment Summary

Year-end Dec	2012	2013	2014E	2015E	2016E
Turnover (Rmb m)	2,403	2,187	2,037	2,282	2,618
Growth (%)	31.9	(9.0)	(6.9)	12.0	14.7
Net profit (Rmb m)	300	116	115	168	231
Growth (%)	21.3	(61.3)	(0.8)	45.8	37.2
EPS (Rmb)	0.20	0.08	0.08	0.11	0.15
Growth (%)	6.8	(61.5)	(0.8)	45.8	37.2
PE (x)	5.5	14.1	14.3	9.8	7.1
OCF/Share (Rmb)	0.17	(0.06)	0.18	0.15	0.11
PB (x)	0.9	0.9	0.9	0.8	0.7
EV/EBITDA (x)	4.1	7.9	9.3	7.4	6.1
DPS (Rmb)	0.05	0.00	0.02	0.02	0.03
Yield (%)	4.8	0.0	1.5	2.1	2.9

Sources: Company, CER

China / Energy / Oil & Gas  
Equipment & Services

## BUY

Share Price	Target Price	Upside
HK\$1.22	HK\$1.50	23.0%

(As of 23 March 2015)

Chen Jianing

86-021-22169162

chenjianing@ebsecn.com

52 Range (HK\$)	1.19-4.87
DVD Yield (%)	5.25

### Latest Key Data

FF no of shares (m)	1,535
FF (%)	49.8
FF market cap (HK\$ m)	1,872
12M daily turnover (HK\$ m)	21.3
12M volatility (%)	87.9
PEG FY13-15E (x)	0.55
RoE FY13-15E (%)	8.1
P/B FY13 (x)	0.9
Net debt/equity FY13 (%)	NC

### Performance (%)

	1M	YTD	12M
Absolute	(26.9)	(14.7)	(70.3)
Relative to HSCEI	(25.6)	(18.5)	(84.6)

### Major Shareholders (%)

Truepath Ltd.	31.8
Free float	49.8

### Price Chart

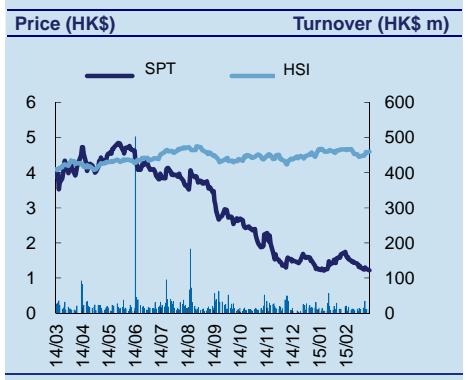
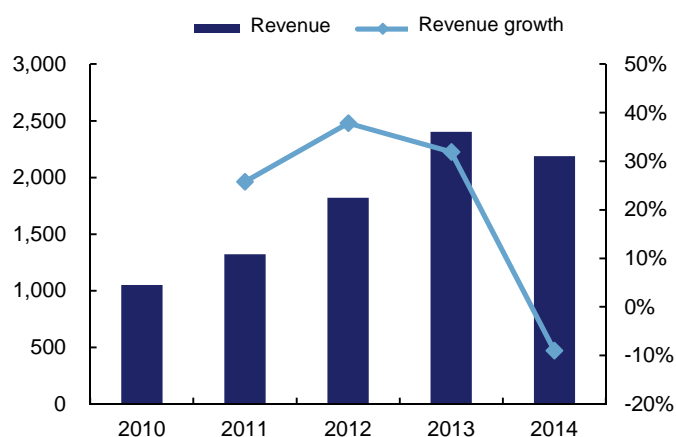
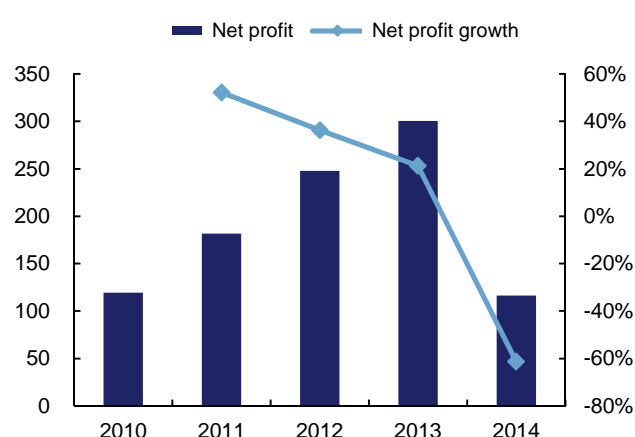


Figure 1: Changes in corporate revenue (Unit: Rmb m)



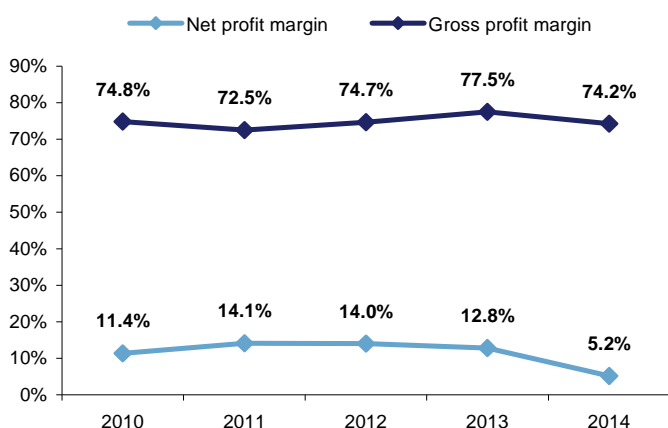
Sources: Company announcement, CES

Figure 2: Changes in corporate net profits (Unit: Rmb m)



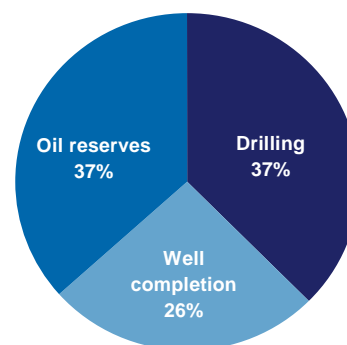
Sources: Company announcement, CES

Figure 3: Changes in corporate profitability



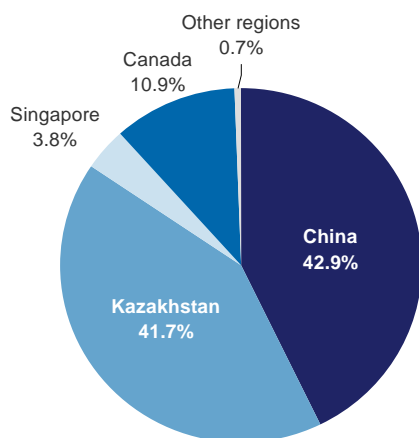
Sources: Company announcement, CES

Figure 4: Corporate revenue by businesses



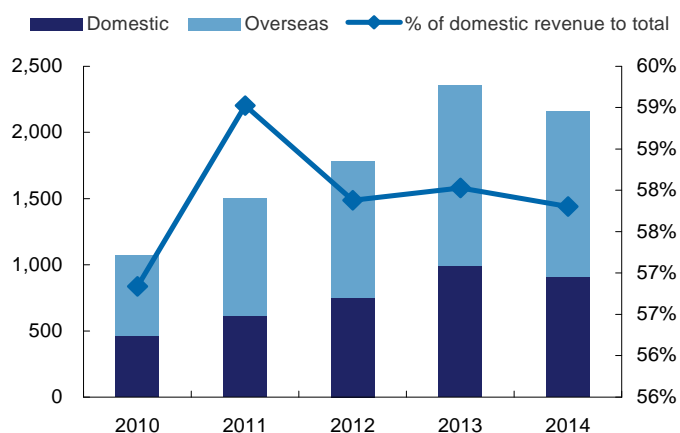
Sources: Company announcement, CES

Figure 5: Corporate revenue by regions



Sources: Company announcement, CES

Figure 6: Changes in proportion of domestic and overseas revenue



Sources: Company announcement, CES

## China Everbright Research Limited Rating System

Buy	Expected to outperform the benchmark index by >15% over the next six months
Accumulate	Expected to outperform the benchmark index by 5 - 15% over the next six months
Hold	Expected to outperform or underperform the benchmark index by <5% over the next six months
Reduce	Expected to underperform the benchmark index by 5 - 15% over the next six months
Sell	Expected to underperform the benchmark index by >15% over the next six months

### Analyst Certification

The research analyst(s) primarily responsible for the preparation of this report hereby certify that –

- (1) All of the views expressed in this report accurately reflect his or her or their personal views about the subject company or companies and its/theirs securities;
- (2) No part of his or her or their compensation was/were, is/are or will be directly or indirectly, related to the specific recommendations or views expressed in this report or any specific investment banking function;
- (3) He/she/they are not directly supervised by, and do not directly report to, investment banking functions;
- (4) He/she/they has/have not breach the quiet period restriction of dealing in the securities covered in this report;
- (5) He/she/they is/are not an officer and do(es) not hold any directorship in the company or companies this report covered.

### Disclosure

China Everbright Securities International Limited, a substantial shareholder of China Everbright Research Limited, does not have financial interests (including stock holding) that equal 1% or more of the market capitalization of the company under review at the date this report is published; does not have investment banking relationship with the company under review within the past 12 months; and does not have market-making activities in the stock. None of our staff is an officer of the company.

### Disclaimer

This report has been prepared by China Everbright Research Limited with the contribution by Everbright Securities Company Limited – Everbright Securities Research. China Everbright Research Limited does not guarantee, either expressed or implied, the completeness, reliability and accuracy of the materials contained in the report.

This report has been prepared for general reference and no part of this report is to be constructed as an offer, invitation, advertisement or inducement whatsoever, or form to buy or sell any securities or financial instruments whether referred to herein or otherwise. Opinions in this report are subject to change by the original writer without notice. China Everbright Research Limited does not accept any liability whatsoever, directly, indirectly, consequential or incidental that may arise from the use of or reliance on the contents of this report.

China Everbright Research Limited and its affiliates and their respective associates, directors, employees or officers may from time to time have long or short positions in securities, warrants, futures, options, derivatives or any other interests and/or underwriting commitments in the securities or financial instruments referred to in this report.

Reports by China Everbright Research Limited do not have regard to the specific investment objectives, financial situation, risk tolerance or the particular needs of any investor. Before enter into any investment contract, individual should exercise judgment or seek for professional advice when necessary. The information contained herein is believed to be reliable. Its completeness and accuracy are, however, not guaranteed.

All copyrights are reserved by China Everbright Research Limited, this report or any part of its contents must not be reproduced in whole or in part without the prior written approval of China Everbright Research Limited.

China Everbright Research Limited is licensed by the Securities and Futures Commission (SFC) and is governed under the rules and regulations of the SFC and the Securities and Futures Ordinances and its subsidiary legislation.

Address: 17/F., Far East Finance Centre, No. 16 Harcourt Road, Hong Kong.  
Contact No.: (852) 2860-1101