

27 March 2015

Trading BUY
Unchanged

业绩增速喜人，股价低估

康达环保 (6136:HK)

Market Data: Mar,26

Closing Price (HK\$)	3.31
Price Target (HK\$)	4.5
HSCEI	11,919
HSCCI	4,515
52-week High/Low (HK\$)	4.23/2.47
Market Cap (USD Mn)	850
Market Cap (HK\$ Mn)	6,595
Shares Outstanding (Mn)	2,068
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

Analyst

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Related Reports

"Kangda International Environment –
Income stream" Feb 27,2015

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (Rmbm)	1,339.68	1,812.78	2,093.92	2,429.58	2,639.82
YoY (%)	34.06	35.31	15.51	16.03	8.65
Net income (Rmbm)	231.56	294.79	413.19	536.11	818.07
YoY (%)	17.82	27.31	40.16	29.75	52.59
EPS (Rmb)	0.15	0.166	0.20	0.26	0.40
Diluted EPS (Rmb)	0.15	0.166	0.20	0.26	0.40
ROE (%)	18.91	13.90	13.30	15.07	19.66
Debt/asset (%)	0.71	0.56	0.55	0.62	0.56
Dividend yield (%)	-	-	-	-	-
PE (x)	23.42	18.42	13.14	10.09	6.61
PB (x)	4.02	1.86	1.63	1.42	1.20
EV/Ebitda (x)	18.99	17.04	13.17	12.14	9.80

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

投资要点：

业绩增速符合高增长预期。公司销售增加 35.3%至 18.12 亿人民币。毛利扩张 41.2%至 7.252 亿人民币。净利润增长 27.3%至 2.948 亿。净利润符合我们之前的预期。如果排除上市费用，调整后净利润增长 35%。

产能扩张，水价高涨。在运营日产能 2014 年年底增加 38%至 192 万吨。包括待运营的总产能增长 38%至 250.3 万吨。项目总数从 47 个增加至 62 个。受益于提标改造，平均水价年上涨 9.6%至 1.14 元/吨。运营项目业务毛利率增加 1.3 个百分点至 66.6%。

2015 年继续扩张步伐。康达 14 年 IPO 之后半年收购产能接近 70 万吨，我们认为公司能够完成 2015 年扩张 80 万吨，达成 16 年底累计 150 万吨上市时新扩张目标。

维持交易性买入评级。我们维持公司 15/16/17 年利润预测为 4.13 亿 (+40%YoY)，5.61 亿(+36% YoY) 以及 8.21 亿(+46.4% YoY)。公司目前 15 年市盈率 13.2 倍，处于行业较低水平。我们维持交易性买入评级，目标价 4.5 港币，有 36%上行空间。

Satisfactory Growth. Kangda reported revenue of Rmb1.81bn, up 35.3% YoY. Gross profit increased 41.2% YoY to Rmb725.2m. Net profit increased 27.3% YoY to Rmb294.8m, in line with our forecast. Excluding costs associated with the company's IPO, net profit increased 35% YoY.

Capacity expansion with increasing tariff. Total daily operating capacity increased 38% to 1.92mt by the end of 2014. Total capacity including pending operation increased 38% to 2.503t per day. Total projects number increased from 47 to 62 nationwide. Water tariff increased 9.6% to Rmb1.14/t thanks to its upgrading standard projects. Gross margin of WWT operating business increased 1.3ppt to 66.6%.

M&A expansion continues in 2015. Kangda has finished nearly 700,000 tonnes of new capacity through M&A and new bids in 2H15 after its IPO. We believe it will be not difficult for Kangda to finish another 800,000t to meet its 1.5mt expansion target by 2016.

Maintain BUY. We upgrade our earnings forecast from Rmb411m to Rmb413m (+40% YoY) in 15E, lower our forecast from Rmb562m to Rmb561m (+36% YoY) in 16E and forecast earnings of Rmb821m (+46.4% YoY) in 17E. The company is currently trading at 13.2x 15E PE, which is relatively low against other listed environmental protection peers. We maintain our target price of HK\$4.5. With 36% upside, we maintain our Trading BUY rating.

Appendix

Table 1: Consolidated Income Statement

(Rmbm)	2013	2014E	2015E	2016E	2017E
Revenue	1339.68	1812.78	2093.92	2429.58	2639.82
CostofSales	(826.26)	(1087.58)	(1235.38)	(1332.03)	(1300.49)
GrossProfit	513.42	725.20	858.54	1097.55	1339.33
OtherIncome	48.46	47.56	40.00	40.00	41.00
SGAExpenses	(112.57)	(177.63)	(156.73)	(181.00)	(201.95)
EBITDA	449.77	0.00	0.00	0.00	0.00
EBIT	443.77	600.69	747.82	964.54	0.00
FinanceCosts	(167.70)	(218.98)	(242.71)	(308.31)	(187.08)
ProfitBeforeTax	281.68	381.72	505.11	656.23	1001.31
IncomeTaxExpense	(49.05)	(85.24)	(90.92)	(118.12)	(180.24)
MinorityInterests	1.07	1.69	1.00	2.00	3.00
ProfitfortheYear	231.56	294.79	413.19	536.11	818.07

Source: SWS Research

Table 2: ConsolConsolidated Cash Flow Statement

(Rmbm)	2013	2014	2015E	2016E	2017E
ProfitBeforeTaxation	233.07	281.68	367.16	502.16	687.40
DeprAndAmortisation	0.00	0.00	0.00	0.00	0.00
FinanceCost	133.90	167.70	198.58	242.20	272.29
LossesFromInvestments	0.00	0.00	0.00	0.00	0.00
ChangeInWorkingCapital	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00
CFFFromOperatingActivities	(382.36)	(205.77)	(435.45)	(200.21)	346.34
CAPEX	(37.00)	(131.82)	(523.00)	(511.00)	(600.00)
OtherCFFFromInvestingActivities	0.00	0.00	0.00	0.00	0.00
CFFFromInvestingActivities	70.96	(214.72)	(523.00)	(511.00)	(600.00)
EquityFinancing	0.00	0.00	0.00	0.00	0.00
NetChangeInLiabilities	0.00	0.00	0.00	0.00	0.00
DividendAndInterstPaid	0.00	0.00	0.00	0.00	0.00
OtherCFFFromFinancingActivities	0.00	0.00	0.00	0.00	0.00
CFFFromFinancingActivities	611.80	30.16	1556.00	179.00	99.00
NetCashFlow	300.39	(285.61)	597.55	(532.21)	(154.66)
FCFF	245.77	543.75	256.14	853.69	321.48
FCFE	543.75	4928.00	(1577.52)	920.29	637.99

Source : SWS Research

Consolidated Balance Sheet

(Rmbm)	2013	2014	2015E	2016E	2017E
Current Assets	1,993.2	3,024.8	2,645.9	2,618.5	2,873.8
Bank balances and cash	275.6	1,000.0	500.0	300.0	300.0
Trade and other receivables	1,575.2	1,921.8	2,022.9	2,165.5	2,420.8
Inventories	3.1	3.0	3.0	3.0	3.0
Other current assets	139.3	100.0	120.0	150.0	150.0
Non-Current Assets	2,720.6	4,008.7	6,025.7	7,357.7	7,360.8
Long-term receivables	2,571.3	3,857.0	5,871.0	7,200.0	7,201.0
PP&E	80.3	81.9	83.5	85.2	86.9
Intangible and other assets	1.0	1.0	1.1	1.1	1.1
Total Assets	4,713.8	7,033.5	8,122.0	9,976.0	10,258.0
Current Liabilities	1,381.2	1,817.0	2,356.0	2,715.0	2,715.0
Borrowings	785.3	1,126.0	1,534.0	1,792.0	1,792.0
Trade and other payables	590.9	681.0	810.0	908.0	908.0
Other current liabilities	4.9	10.0	12.0	15.0	15.0
Long-term liabilities	1,979.9	2,126.0	2,433.0	3,439.0	2,998.0
Total Liabilities	3,361.1	3,943.0	4,789.0	6,154.0	5,713.0
Minority Interests	0.0	0.0	0.0	0.0	0.0
Shareholder Equity	1,352.7	2,915.0	3,333.0	3,822.0	4,545.0
Total Liabilities and equity	4,713.8	6,858.0	8,122.0	9,976.0	10,258.0

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Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

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