

27 March 2015

BUY
Unchanged

15 年高增长开始

东江环保(895:HK)

Market Data: Mar,26

Closing Price (HK\$)	30.4
Price Target (HK\$)	39.5
HSCEI	11,919
HSCCI	4,515
52-week High/Low (HK\$)	34.00/22.27
Market Cap (USD Mn)	1,256
Market Cap (HK\$ Mn)	9,739
Shares Outstanding (Mn)	348
Exchange Rate (RMB-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (Rmbm)	1,582.93	2,047.51	2,957.373	4,264.61	5,477.848
YoY (%)	4.03	29.34	44.43	44.20	28.45
Net income (Rmbm)	208.28	251.61	432.85	698.79	829.59
YoY (%)	(21.91)	20.82	72.01	61.40	18.72
EPS (Rmb)	0.60	0.74	1.25	2.01	2.39
Diluted EPS (Rmb)	0.60	0.74	1.25	2.01	2.39
ROE (%)	9.61	10.79	13.81	17.21	19.51
Debt/asset (%)	25.02	43.06	42.42	46.48	52.10
Dividend yield (%)	1.00	0.62	1.23	1.61	1.87
PE (x)	33.3	19.4	12.0	10.1	33.3
PB (x)	2.22	1.83	1.40	1.37	1.35
EV/Ebitda (x)	7.32	11.75	2.91	2.73	2.46

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:

业绩符合预期。销售增加 2%至 20.47 亿元。净利润增加 20.8%至 2.516 亿人民币。业绩符合预期，整体毛利率小幅上升至 32.5%。

2015 年重点项目预期投产。25 万吨粤北项目，19.85 万吨江门项目，6 万吨嘉兴德达等重点项目即将于 2015 年上半年投产。公司产能将加速释放，为收入和盈利带来贡献。

工业固收入处置增长较快。10.53%至 13.33 亿元，占总收入 65%。其中，工业固废资源化业务受铜价大幅下跌影响，收入下滑 2.6%至 9.37 亿元。由于公司采取产品结构优化 毛利率扩张 3.57 个点至 30%。工业固废处置业务大幅增长 62.45%至 3.95 亿元，毛利率稳定在 57.7%。

2015 年并购预计加速。东江环保 2014 年展开外延式收购步伐，成功收购厦门绿洲，新疆克拉玛依，江苏沿海固废等公司，顺利打入福建，新疆地区。公司 2014 年末在手现金 10 亿，我们预计公司 15 年将加大外延式收购，扩张公司业务。

维持买入。我们目前维持盈利预测 2015/16/17 为 EPS 人民币 1.25/2.01/2.39。东江自本周 25 日临时停牌，待公布重大事项，我们将会跟进进一步信息。

Results in line. Dongjiang reported an increase in revenue of 2% YoY to Rmb2.05bn. Net profit increased 20.8% YoY to Rmb251.6m, in line with our forecast of Rmb258.9m. Overall gross margin increased 2ppts YoY to 32.5%.

Improving high margin treatment business. The company's industrial solid waste business revenue increased 10.53% YoY to Rmb1.33bn, accounting for 65% of the company's total revenue. Industrial solid waste recycling revenue was down 2.6% YoY to Rmb937m on weak copper price, however, gross margin increased 3.57ppts YoY to 30%. Industrial solid waste treatment revenue rose 62.45% YoY to Rmb395.5m, with gross margin up 0.3ppts YoY to 57.7%.

Large Volume expansion expected in 2015. The company will commence operations at several new projects in 1H15, of which we highlight Yuebei (250,000tpa), Jiangmen (198,500tpa) and Jiaying Deda (60,000tpa). We expect this will enhance Dongjiang's revenue and earnings.

M&A accelerating in 2015. Dongjiang has made a number of external acquisitions in 2014 including Xiamen Lvzhou, Xinjiang Kelamayi, and Jiangsu Yanhaigufei. Dongjiang expanded its business into Fujian Province on the eastern seaboard and in the western region of Xinjiang. With Rmb1.02bn at hand by the end of 2014, we expect Dongjiang will make more expansion through acquisitions.

Maintain BUY. We currently maintain our EPS forecasts of Rmb1.25 in 15E (+68.1% YoY), Rmb2.01 in 16E (+60.8% YoY) and forecast EPS of Rmb2.39 in 17E (+18.1% YoY). Dongjiang suspended trading since 25 March ahead of an announcement. We maintain our target price of HK\$39.5. With 29.9% upside, we maintain our BUY recommendation.

APPENDIX

Consolidated Income Statement

Rmb '000	2013	2014	2015E	2016E	2017E
Revenue	1,582,936	2,047,512	2,957,373	4,264,617	5,477,848
Cost of Sales	1,100,399	1,382,201	1,948,783	2,697,615	3,519,639
Gross Profit	482,538	665,310	1,008,590	1,567,002	1,958,209
Other Income	9,422	9,597	17,744	25,588	32,867
Selling/General/Admi. Expenses	259,693	317,427	434,778	629,880	843,589
Finance Costs	1,469	24,205	26,625	29,288	32,217
Profit before tax	271,477	321,513	561,111	905,858	1,075,415
Income tax expense	27,839	39,045	57,794	93,303	110,768
Minority interests	35,356	30,857	70,464	113,758	135,051
Profit for the year	208,282	251,611	432,853	698,797	829,596

Consolidated Balance Sheet

Rmb '000	2013	2014	2015E	2016E	2017E
Current Assets	1,626,682	2,241,015	2,614,884	3,216,125	3,952,103
Bank balances and cash	946,887	1,027,750	1,126,218	1,357,082	1,939,142
Trade and other receivables	286,995	635,550	764,906	928,434	1,064,215
Inventories	244,452	300,312	433,763	625,499	625,499
Other current assets	15,000	183,697	183,697	183,697	183,697
Non-Current Assets	3,267,458	4,985,471	5,684,691	6,802,594	8,159,158
Long-term receivables	56,310	102,099	132,728	172,547	224,311
PP&E	587,882	790,009	1,106,012	1,382,515	1,728,144
Intangible and other assets	538,574	849,369	838,133	930,613	1,032,342
Total Assets	3,267,458	4,985,471	5,684,691	6,802,594	8,159,158
Current Liabilities	605,720	1,317,418	1,681,503	2,216,362	2,210,102
Borrowings	265,724	559,264	807,787	1,164,852	1,164,852
Trade and other payables	80,000	261,174	251,391	243,565	237,303
Other current liabilities	6,073	9,658	9,658	9,658	9,658
Long-term liabilities	211,774	829,476	730,214	945,475	1,225,178
Total Liabilities	817,494	2,146,895	2,411,718	3,161,837	3,435,280
Minority Interests	208,196	396,238	461,064	536,497	536,497
Shareholder Equity	2,449,963	2,838,576	3,430,451	4,094,582	4,781,749
Total Liabilities and equity	3,267,458	4,985,471	5,842,169	7,256,419	8,217,029

Consolidated Cash flow statement

Rmb '000	2013	2014	2015E	2016E	2017E
Profit before taxation	208,282	251,611	432,853	698,797	829,596
CF from operating activities	343,986	165,537	589,240	917,153	1,081,817
CF from investing activities	-459,492	-969,851	-662,321	-626,289	-626,289
CF from financing activities	34,000	894,146	175,000	-60,000	-60,000
Net cash flow	-81,506	89,422	101,919	230,864	395,528
Cash at beginning	1,016,889	934,877	1,024,299	1,126,218	1,357,082
Cash at end	934,877	1,024,299	1,126,218	1,357,082	1,752,610

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Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

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

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

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