



Rating
Buy

Asia
China

Utilities
Utilities

Company
**Guangdong
Investment**

Reuters 0270.HK Bloomberg 270 HK Exchange HSI Ticker 0270

Date
30 October 2017

Results

Price at 30 Oct 2017 (HKD)	11.18
Price target - 12mth (HKD)	13.50
52-week range (HKD)	12.10 - 9.65
HANG SENG INDEX	28,439

In-line 3Q17 and HK water supply negotiation results likely soon; Buy

In-line 3Q17 results

Guangdong Investment reported in-line 9M17 results after the market close on 30 Oct. Recurring profit (excluding HKD1.2bn bargain purchase, HKD443m property revaluation gain, HKD6m FX loss) was HKD3.7bn for 9M17, up 8% yoy and representing 82% of DBe for FY17 (recurring 9M16 represented 81% of FY16). A key item to monitor is the HK water supply negotiation, which should be released over the next few months. Maintain Buy on stable dividend growth outlook for GDI.

Major updates from the results

Water: GDI became first-choice bidder of a 300ktpd of water supply project in Yunfu in 3Q17 and won the bidding for wastewater treatment projects of 22ktpd - both of which were mentioned as events after the reporting period during the company's 2017 interim results. GDI expects capex of RMB2.9bn for the water segment, comprising RMB876m for the projects in Meizhou/Jiangsu/Zhaoqing, RMB381m for the projects in Yunfu and RMB1,639m for the projects in Shantou.

Property: Revenue of Tianjin Teem Shopping Mall reached HKD37.6m in 3Q, after opening in end June. Tianjin Teem Shopping Mall turned profitable in 3Q, with loss before tax narrowing from HKD11.3m in 1H17 to HKD8.9m in 9M17. GDI incurred capex of HKD176m for the Buxin project and HKD49m for the Panyu Wanbo project in 3Q17.

Road: Management expects the Yinping PPP project to commence soon.

Strategy: GDI will continue to monitor investment opportunities involving water, property, infrastructure, PPP and the Greater Bay Area.

Valuation & Risks

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	0.4	1.8	-5.4
HANG SENG INDEX	3.2	5.4	23.9

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	13.2
Net debt/equity (%)	-30.6
Book value/share (HKD)	5.63
Price/book (x)	2.0
Net interest cover (x)	65.8
Operating profit margin (%)	54.9

Source: Deutsche Bank



Forecasts and ratios

Year End Dec 31	2015A	2016A	2017E	2018E	2019E
Sales (HKDm)	9,172	10,468	11,191	11,126	11,594
EBITDA (HKDm)	6,182	7,061	7,673	7,843	8,089
Reported NPAT (HKDm)	3,905	4,212	4,539	4,719	4,910
Reported EPS FD(HKD)	0.624	0.672	0.708	0.721	0.749
DB EPS FD (HKD)	0.655	0.685	0.708	0.721	0.749
DB EPS growth (%)	13.7	4.7	3.4	1.7	4.0
PER (x)	15.7	15.8	15.8	15.5	14.9
Price/BV (x)	2.1	2.0	2.0	1.9	1.8
EV/EBITDA (x)	10.0	9.1	7.9	7.4	6.9
DPS (net) (HKD)	0.340	0.420	0.470	0.510	0.570
Yield (net) (%)	3.3	3.9	4.2	4.6	5.1
ROE (%)	12.7	13.2	13.2	12.5	12.5

Source: Deutsche Bank estimates, company data



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Guangdong Investment	0270.HK	11.18 (HKD) 30 Oct 2017	7, 14, 15

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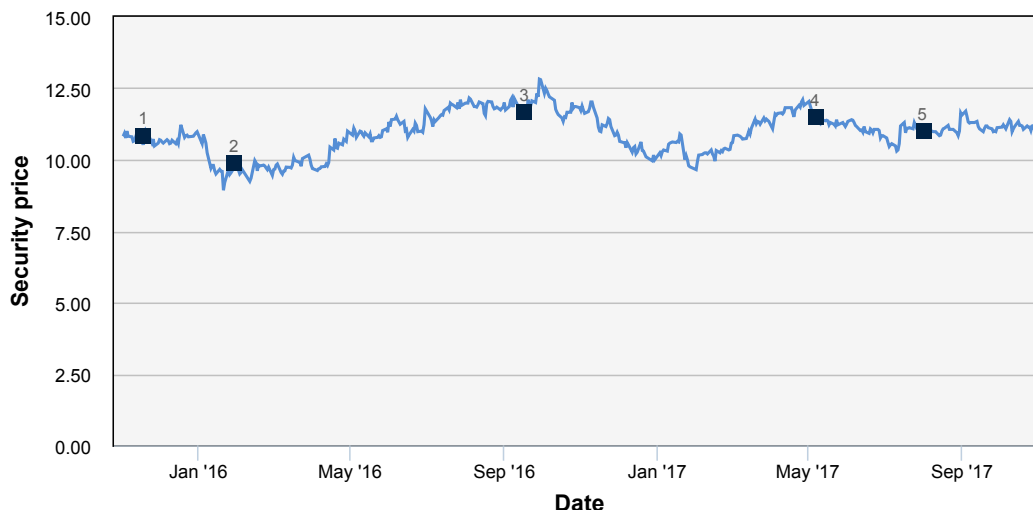
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Historical recommendations and target price. Guangdong Investment (0270.HK)

(as of 10/30/2017)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

- | | | | | | |
|---------------|------------------------------------|-----------------|---------------|------------------------------------|-----------------|
| 1. 11/19/2015 | Buy, Target Price Change HKD 12,80 | Kristy Liu** | 4. 05/08/2017 | Buy, Target Price Change HKD 13,30 | Thomas Zhu, CFA |
| 2. 01/30/2016 | Buy, Target Price Change HKD 12,70 | Kristy Liu** | 5. 08/02/2017 | Buy, Target Price Change HKD 13,50 | Thomas Zhu, CFA |
| 3. 09/18/2016 | Buy, Target Price Change HKD 13,00 | Thomas Zhu, CFA | | | |

Equity Rating Key

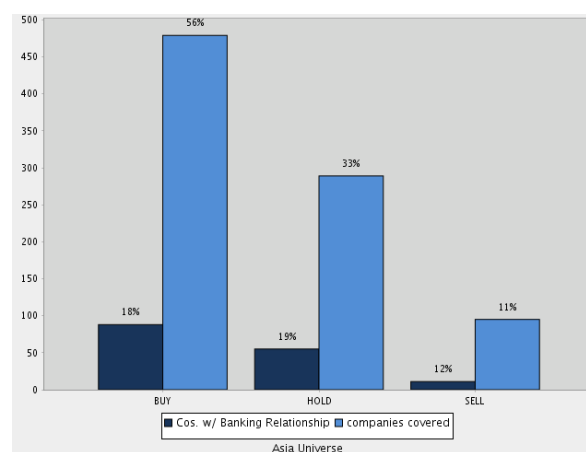
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