



Flash Note: Beijing Enterprises Water (00371 HK)

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Cash Offer for BEUR (03718 HK) at HK\$0.78 per Share

以每股现金要约价0.78港元收购北控城市资源(03718 HK)

- **Beijing Enterprises Water (BEW, the "Company", 00371 HK) announced that it will make a cash offer for Beijing Enterprises Urban Resources (BEUR, 03718 HK) at HK\$0.78 per share, the same price as the previous last trading day.** As at April 25, BEW (00371 HK) held 1,124,284,000 shares of BEUR (03718 HK), accounting for 31.2% of its total issued share capital of 3,600,000,000 shares. The offer involves 2,475,716,000 shares of BEUR (03718 HK), with a total consideration of HK\$1,931,058,480 based on the offer price of HK\$0.78 per share. After the closing of the offer, BEW (00371 HK) intends to maintain the listing status of BEUR (03718 HK).
- Based on HK\$0.78 per share and a total issued share capital of 3,600,000,000 shares, BEUR (03718 HK) is valued at HK\$2.808 billion, or 5.6x 2021 P/E. We think this valuation is a bargain relative to BEUR's (03718 HK) 26.4% revenue growth and 17.6% growth in profit attributable to shareholders in 2021. In addition, the operating cash inflow of BEUR (03718 HK) in 2021 reached HK\$542.6 million, even exceeding the profit attributable to shareholders, reflecting its very good profit quality. If the acquisition was completed in 2021, it would have increased the profit attributable to shareholders of BEW (00371 HK) by about 13%, which would be a very significant improvement compared to its current profit attributable to shareholders, which was only flat in 2021. Moreover, BEUR (03718 HK) is mainly engaged in environmental hygiene services and hazardous waste treatment services, which basically does not compete with BEW (00371 HK) but strongly compliments BEW's (00371 HK) business. **We think that the acquisition of BEUR (03718 HK) will be a very good investment from both business and financial perspectives.**
- As at December 31, 2021, Beijing Enterprises Water (00371 HK) held more than HK\$10.7 billion in cash, which is abundant compared to the total offer consideration of HK\$1.93 billion. We think this acquisition is another manifestation of the Company's asset-light strategy. **We may slightly raise the Company's earnings forecast in the next Company Report, and will review the target price and investment rating. The current target price is HK\$3.70 and the investment rating is "Buy".**
- **北控水务(00371 HK)公告将对北控城市资源(03718 HK)提出现金要约收购, 每股要约股份为 0.78 港元, 与此前最后交易日的价格相同。**截至 4 月 25 日, 北控水务(00371 HK)持有 1,124,284,000 股北控城市资源(03718 HK), 占其总发行股本 3,600,000,000 股的 31.2%。要约涉及 2,475,716,000 股北控城市资源(03718 HK)股份, 按要约价每股 0.78 港元计, 总代价为 1,931,058,480 港元。于要约截止后, 北控水务(00371 HK)有意维持北控城市资源(03718 HK)的上市地位。
- 以每股 0.78 港元及总发行股本 3,600,000,000 股计算, 北控城市资源(03718 HK)的估值为 28.08 亿港元, 或 5.6 倍的 2021 年度市盈率。我们认为此估值相对于北控城市资源(03718 HK)2021 年度 26.4% 的收入增长及 17.6% 的股东应占盈利增长而言相当便宜。此外, 北控城市资源(03718 HK)2021 年度经营现金流入达 5.426 亿港元, 甚至超过股东应占盈利, 反映其盈利素质非常好。假设收购于 2021 年完成, 将使北控水务(00371 HK)股东应占盈利提高约 13%, 相较其现时 2021 年仅持平的股东应占盈利将是十分显著的改善。而且北控城市资源(03718 HK)的主要业务为环卫服务及危废处理服务, 与北控水务(00371 HK)基本没有竞争但有很强的业务互补性。**我们认为无论从业务及财务的角度看, 收购北控城市资源(03718 HK)都是非常优秀的投资。**
- 截至 2021 年 12 月 31 日, 北控水务(00371 HK)持有超过 107 亿港元的现金, 相对总要约代价 19.3 亿港元而言非常充裕。我们认为此次收购是公司轻资产策略的又一体现。**我们或将在下一份报告中轻微调高公司盈利预测, 并将检讨其目标价及投资评级。现时的目标价为 3.70 港元, 投资评级为“买入”。**

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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