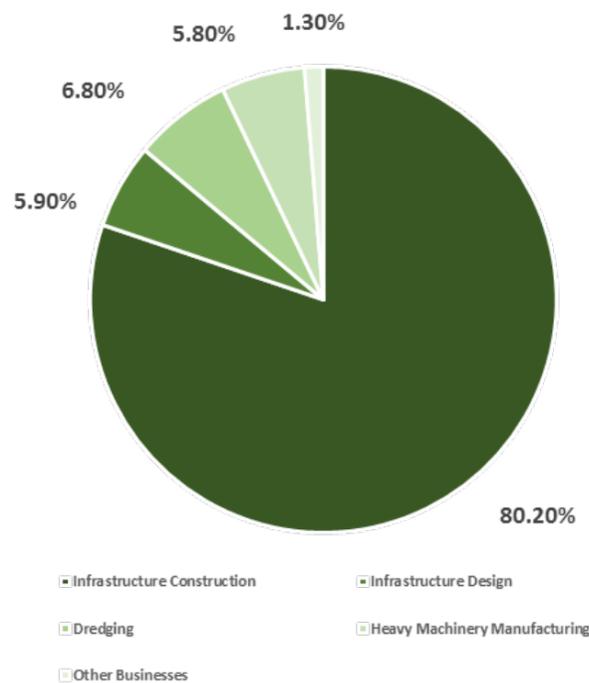


## Company Overview

Figure 1. Revenue by Segments



Source: CCCC Annual Report 2016

China Communications Construction Co., Ltd. (CCCC) is a Chinese construction company that specialises in the construction and design of transportation infrastructure, dredging and port machinery manufacturing business. It is the largest port construction and design company in China, and the largest dredging company in China. CCCC also displayed the ability to secure large contracts both domestically and overseas.

(RMB\$M)	FY15A	FY16A	FY17E	FY18E
Revenue	403,616	429,972	459,640.07	487,770.0402
Gr Rate(%)	10.3	6.5	0.069	0.0612
EBITDA	35,126	40,801	39,686.22	39,686.22
EBITDA Margin (%)	8.1	8.9	8.6341948	8.136255905
Net Income	15,029	17,210	19,718.94	19,718.94
Margin(%)	3.72	4	4.29	4.04
ROA	2.33	2.25	2.28	2.44
ROE	12	11.2	7.61	7.98
EV/EBITDA	10.74	8.04	12.069535	11.08397209
D/E Ratio	1.51	1.47	1.20	1.20

## Investment Thesis

Figure 3. CCCC Market Data



Source: Bloomberg

**1. Strongest Chinese player involved in the OBOR Project.** CCCC is one of the major players in the OBOR initiative. It stands to gain as the value of OBOR projects signed increased by 36% in 2016.

**2. Highly diversified project portfolio with > 50% overseas backlog projects.** As of the end of 2016, its overseas backlog reached US\$93bn, representing a y-o-y growth of 91%. Most of these projects are located in the OBOR countries; Africa, Southeast Asia, Hong Kong/Macau/Taiwan, and Oceania.

**3. Ability to maintain A3 bond rating despite increased debt leverage.** Moody's Investor Service kept its A3 rating for CCCC despite the increased financial leverage. This is a strong indicator of CCCC's financial strength and ability to repay the debts it took on to fund its large backlog of orders for various projects.

## 12M Industry Outlook

Figure 2. Yearly Global Construction Output (USD Trillion)

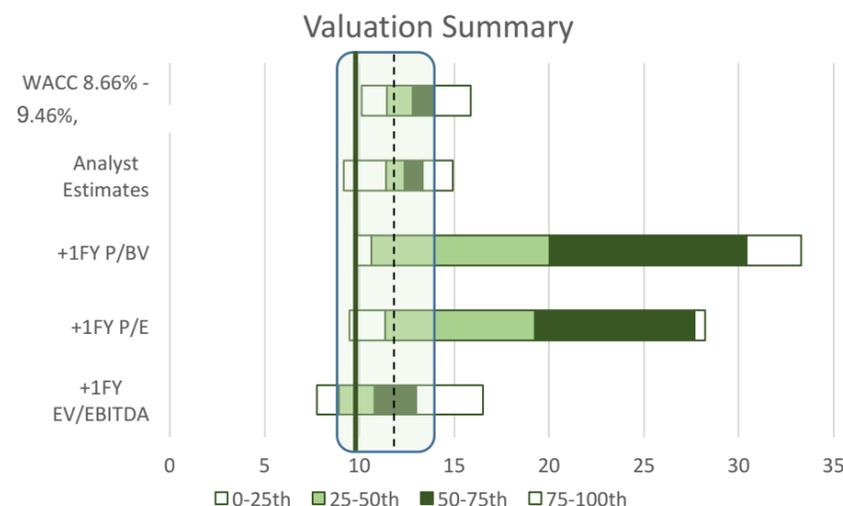


Source: Construction Intelligence Centre

- China's booming construction sector to continue in 2017.** In 2016, China's construction industry continued to develop rapidly, achieving 17% growth in industry value. China's central government continues to strongly push fiscal stimulus in the form of infrastructure investments as a means to sustain economic growth, as part of its 13th five year plan.
- Global market forecasting double-digit growth until 2025.** Construction activity in the emerging world surpassed that of advanced economies in 2014, and this difference will continue to widen. In 2012, emerging markets accounted for 46.7% of global output – rising to 52.8% by 2021.
- There are currently more than \$900 billion in projects planned or underway for the One Belt One Road project.** China President Xi pledged another \$113 billion in extra funding for the "One Belt One Road" project this year, and urged countries across the globe to join hands with him in pursuit of globalization. The European Union (EU) is slowly starting to welcome OBOR.

## Valuations

Figure 4. Valuation Summary



Our 12-month price target from date of coverage is HKD12.30, assuming a 6.8% growth rate in FY2017 and a perpetuity growth rate of 3%. This indicates a 24.9% upside from its current share price. This is in line with CCCC's promising outlook to secure future overseas contracts relating to OBOR and deliver on its backlog of contracts. CCCC sees huge opportunities in both the expanding China market and overseas markets, and this is reflected in its sterling upside potential.

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