

23 August 2018

Property | Real Estate

Longfor Group Holdings

Buy (Maintained)

Our Favourite Long-Term Call

Target Price: HKD26.70
 Price: HKD22.40
 Market Cap: USD16,923m
 Bloomberg Ticker: 960 HK

Maintain BUY with new HKD26.70 TP from HKD26.30, 19% upside – based on the same 25% discount to end-FY18F ENAV of HKD35.60, from HKD35.10. Longfor remains one of our picks for fundamentals, given high earnings quality and strong financial position. Other than its buoyant property development business outlook from strong sell-through rate and high cash collection ratio, we also like the leapfrogging investment property business. Growing rental income would further safeguard its status of being the only privately-owned developer in China with IG credit rating. We recommend Longfor and CR Land for long-term investors seeking solid fundamental plays.

Interim results met, positive surprise on margins. 1H18 core earnings were at CNY3.7bn, +31.2% YoY – which met. GPM and NPM were stronger-than-expected at 37.1% and 13.8%. Net gearing continued to hold steady at 54.6%. Interim dividend was announced at CNY0.30/share, +50% YoY.

Stable contracted sales outlook, on track of accomplishing sales targets. Management believes contracted sales are more skewed towards 2H this year, which is in line with our expectations. Given Longfor Group Holdings' historically strong sell-through rate at 70% or above, we envisage it to comfortably beat the CNY200bn contracted sales target for FY18, +28% YoY.

IP business scaling quickly. With 3/10/14 new malls to be opened in 2H18F/FY19F/FY20F and beyond, Longfor should have 53 malls in operation by 2020 (from 29 in 2018). This, coupled with growing rental apartment business, ought to drive rental income to grow at 36.8% CAGR over FY17-20F. We see huge potential of rental income fully covering gross interest expenses in the next 1-2 years (rental income covered 76% of gross interest expenses in FY17), which shall add defensiveness to balance sheet and further reinforce its IG credit standing.

Visible business model for rental apartment business. Whilst investors have continued to question the viability of long-term rental apartment, Longfor reaffirms the market that its business model is taking shape. Rental apartments, which have operated six months and beyond, have recorded an average occupancy rate of 90%. Management estimates that once these properties enter a matured phase, stabilised GPM and NPM should be around 35% and 12-15%.

Maintain BUY, with a new HKD26.70 TP based on a 25% discount to end-FY18F ENAV of HKD35.60. We regard Longfor alongside China Resources Land (1109 HK, BUY, TP: HKD33.00), as having high earnings quality and relatively strong financial positions. They are our favourite picks for investors with longer-term investment horizon and solid fundamental plays. Downside risk to our call is a slowdown in property sales in Tier-1 & 2 markets.

Share Data

Avg Daily Turnover (HKD/USD) 123m/15.3m
 52-wk Price low/high (HKD) 17.7 - 26.6
 Free Float (%) 30
 Shares outstanding (m) 5,915
 Estimated Return 19%

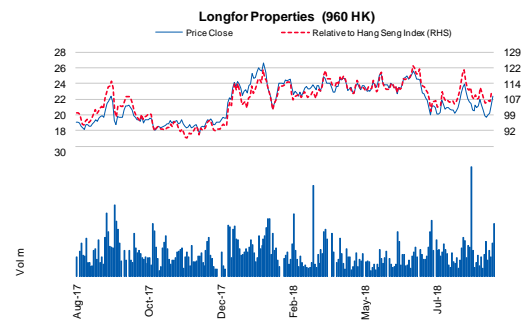
Shareholders (%)

Wu Yajun 44.0
 Cai Kui 26.0

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	14.4	9.0	(6.1)	(7.8)	17.8
Relative	21.7	10.7	5.1	2.6	16.5

Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Total turnover (CNYm)	54,799	72,075	96,079	112,318	130,012
Reported net profit (CNYm)	9,153	12,599	15,237	15,457	16,903
Recurring net profit (CNYm)	7,760	9,770	13,337	15,457	16,903
Recurring net profit growth (%)	11.7	25.9	36.5	15.9	9.4
Recurring EPS (CNY)	1.33	1.68	2.25	2.61	2.86
DPS (CNY)	0.47	0.76	1.03	1.05	1.14
Recurring P/E (x)	14.7	11.6	8.7	7.5	6.8
P/B (x)	1.84	1.61	1.43	1.28	1.15
Dividend Yield (%)	2.4	3.9	5.3	5.3	5.8
Return on average equity (%)	15.7	19.0	20.3	18.3	18.0
Return on average assets (%)	4.5	4.3	3.4	2.6	2.2
Net debt to equity (%)	53.9	47.7	48.5	56.4	51.0
Our vs consensus EPS (adjusted) (%)			4.8	(4.0)	(13.5)

Source: Company data, RHB

Analysts

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Financial Exhibits

Financial model updated on : 2018-08-22.

Asia	Financial summary	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Hong Kong	Recurring EPS (CNY)	1.33	1.68	2.25	2.61	2.86
Property	EPS (CNY)	1.57	2.17	2.58	2.61	2.86
Longfor Group Holdings	DPS (CNY)	0.47	0.76	1.03	1.05	1.14
Bloomberg 960 HK	BVPS (CNY)	10.6	12.1	13.7	15.3	17.0
Buy	Weighted avg adjusted shares (m)	5,818	5,806	5,915	5,915	5,915
Valuation basis	Valuation metrics	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
25% discount to our end-FY18F ENAV of HKD35.6	Recurring P/E (x)	14.7	11.6	8.7	7.5	6.8
Key drivers	P/E (x)	12.4	9.0	7.6	7.5	6.8
i. GPM recovery;	P/B (x)	1.84	1.61	1.43	1.28	1.15
ii. Sustainable contracted sales and rental growth.	FCF Yield (%)	(4.1)	(7.1)	(0.6)	(7.2)	6.8
Key risks	Dividend Yield (%)	2.4	3.9	5.3	5.3	5.8
Further tightening policies in Tiers-1&2 cities	EV/EBITDA (x)	5.92	3.88	3.18	3.53	3.28
	EV/EBIT (x)	5.95	3.89	3.19	3.54	3.28
Company Profile	Income statement (CN¥m)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
Longfor Group Holdings was established in Chongqing in 1993. Longfor spread its presence across 36 cities in Western China, the Yangtze River Delta, the Bohai Rim, as well as Southern and Central China. Its brand is well-known in the country's south-western region. Besides property development, Longfor is also engaged in property investment and management businesses, through its Paradise Walk and Starry Street series. It was listed on the HKEx in 2009.	Total turnover	54,799	72,075	96,079	112,318	130,012
	Gross profit	15,935	24,436	33,255	36,971	40,817
	EBITDA	12,545	19,432	27,508	29,793	32,511
	Depreciation and amortisation	(60)	(60)	(60)	(60)	(60)
	Operating profit	12,485	19,372	27,448	29,733	32,451
	Net interest	88	270	(91)	(34)	(66)
	Income from associates & JVs	1,434	1,868	2,447	3,430	4,273
	Exceptional income - net	1,949	5,044	2,854	390	471
	Pre-tax profit	15,956	26,554	32,658	33,518	37,129
	Taxation	(6,021)	(10,075)	(12,247)	(12,067)	(13,367)
	Minority interests	(782)	(3,880)	(5,175)	(5,994)	(6,860)
	Recurring net profit	7,760	9,770	13,337	15,457	16,903
	Cash flow (CN¥m)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Change in working capital	13,898	11,503	14,849	6,806	22,751
	Cash flow from operations	17,436	17,985	25,401	17,743	33,890
	Capex	(22,050)	(26,050)	(26,050)	(26,050)	(26,050)
	Cash flow from investing activities	(22,050)	(26,050)	(26,050)	(26,050)	(26,050)
	Dividends paid	(1,654)	(2,083)	(5,039)	(6,095)	(6,183)
	Cash flow from financing activities	3,952	17,449	28,007	13,861	27
	Cash at beginning of period	17,920	17,258	26,642	54,001	59,555
	Net change in cash	(662)	9,384	27,358	5,554	7,867
	Ending balance cash	17,258	26,642	54,001	59,555	67,422
	Balance sheet (CN¥m)	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Total cash and equivalents	17,355	26,761	54,120	59,674	67,541
	Tangible fixed assets	29,546	43,480	44,589	45,727	46,894
	Total investments	53,354	81,288	88,806	96,683	104,959
	Total other assets	3,442	4,328	4,328	4,328	4,328
	Total assets	224,830	362,764	530,328	678,128	830,003
	Short-term debt	5,333	5,589	5,872	6,169	6,481
	Total long-term debt	52,539	71,816	104,580	124,238	130,135
	Other liabilities	216	658	658	658	658
	Total liabilities	149,715	256,585	414,254	552,779	694,512
	Shareholders' equity	61,765	70,567	79,709	88,983	99,125
	Minority interests	13,350	35,612	36,366	36,366	36,366
	Total equity	75,115	106,179	116,074	125,349	135,491
	Net debt	40,517	50,643	56,331	70,733	69,076
	Total liabilities & equity	224,830	362,764	530,328	678,128	830,003
	Key metrics	Dec-16	Dec-17	Dec-18F	Dec-19F	Dec-20F
	Revenue growth (%)	15.6	31.5	33.3	16.9	15.8
	Recurrent EPS growth (%)	11.7	26.2	34.0	15.9	9.4
	Gross margin (%)	29.1	33.9	34.6	32.9	31.4
	Operating EBITDA margin (%)	22.9	27.0	28.6	26.5	25.0
	Net profit margin (%)	16.7	17.5	15.9	13.8	13.0
	Dividend payout ratio (%)	22.8	40.0	40.0	40.0	40.0
	Capex/sales (%)	40.2	36.1	27.1	23.2	20.0
	Interest cover (x)	235	428	109	83	77

Source: Company data, RHB

Results Review

Figure 1: Longfor's 1H18 results review

(CNY m)	Actual 1H17	Actual 2H17	Actual 1H18	1H18 YoY	RHB 1H18	Diff (%)	BBG Consensus	Diff (%)
Turnover	18,594	53,481	27,121	45.9%	31,251	-13.2%	N/A	N/A
Property sales	16,590	50,873	24,037	44.9%				
Property investment	1,137	1,456	1,851	62.8%				
Property mgmt and others	867	1,152	1,232	42.1%				
Cost of sales	(11,801)	(35,838)	(17,051)	44.5%				
Gross profit	6,793	17,642	10,070	48.2%				
Selling and marketing exp	(519)	(1,278)	(871)	67.8%				
Administrative expenses	(905)	(2,362)	(1,778)	96.4%				
Other income/(losses)	410	123	263	-35.7%				
Operating profit	5,779	14,125	7,684	33.0%				
Revaluation change	2,148	2,273	2,532	17.9%				
Exceptionals	80	11	0	-100.0%				
Finance income/(cost) - net	84	186	111	32.7%				
Associates and JCEs	(72)	1,940	450	-728.7%				
Profit before taxation	8,018	18,535	10,778	34.4%				
Taxation	(3,130)	(6,945)	(4,085)	30.5%				
Profit after taxation	4,888	11,590	6,693	36.9%				
Minority interests	(483)	(3,397)	(1,263)	161.3%				
Reported net profit	4,405	8,194	5,430	23.3%				
Recurring net profit	2,843	6,927	3,730	31.2%	3,750	-0.5%	N/A	N/A
Basic EPS (CNY)	0.760	1.410	0.929	22.2%				
Core EPS (CNY)	0.491	1.192	0.638	30.1%				
DPS (CNY)	0.200	0.558	0.300	50.0%				
BVPS (CNY)	10.971	12.155	12.470	13.7%				
Gross margin	36.5%	33.0%	37.1%					
Operating margin	31.1%	26.4%	28.3%					
Effective tax rate	-39.0%	-37.5%	-37.9%					
Net margin	23.7%	15.3%	20.0%					
Core net margin	15.3%	13.0%	13.8%					

Source: RHB

Changes In Earnings Forecast

Figure 2: Changes to our P&L forecasts

FY end Dec 31 (CNY m)	FY18F			FY19F			FY20F		
	Original	New	chg (%)	Original	New	chg (%)	Original	New	chg (%)
Revenue	101,702	96,079	-6%	119,186	112,318	-6%	134,053	130,012	-3%
Cost of goods sold	(68,504)	(62,824)	-8%	(81,197)	(75,347)	-7%	(92,064)	(89,195)	-3%
Gross profit	33,199	33,255	0%	37,989	36,971	-3%	41,989	40,817	-3%
Selling and marketing exp	(2,411)	(1,936)	-20%	(2,954)	(2,404)	-19%	(3,431)	(2,809)	-18%
Administrative expenses	(4,438)	(3,871)	-13%	(5,460)	(4,834)	-11%	(6,265)	(5,557)	-11%
Other gains and losses	322	322	0%	390	390	0%	471	471	0%
Exceptionals	0	0	N/A	0	0	N/A	0	0	N/A
Revaluation gain	0	2,532	N/A	0	0	N/A	0	0	N/A
Interest Expense	(252)	(252)	0%	(274)	(359)	31%	(322)	(424)	32%
Interest income	161	161	0%	180	325	81%	199	358	80%
Associate and JCEs	2,447	2,447	0%	3,415	3,430	0%	4,221	4,273	1%
Profit before tax	29,027	32,658	13%	33,286	33,518	1%	36,862	37,129	1%
Taxation	(10,885)	(12,247)	13%	(11,983)	(12,067)	1%	(13,270)	(13,367)	1%
Minority interests	(5,498)	(5,175)	-6%	(6,389)	(5,994)	-6%	(7,092)	(6,860)	-3%
Reported net profit	12,644	15,237	21%	14,914	15,457	4%	16,500	16,903	2%
Recurring net profit	12,644	13,337	5%	14,914	15,457	4%	16,500	16,903	2%
Gross profit margin (%)	32.6%	34.6%	2.0%	31.9%	32.9%	1.0%	31.3%	31.4%	0.0%
Reported net profit margin (%)	12.4%	15.9%	3.4%	12.5%	13.8%	1.2%	12.3%	13.0%	0.0%
Recurring net profit margin (%)	12.4%	13.9%	1.4%	12.5%	13.8%	1.2%	12.3%	13.0%	0.0%

Source: RHB

Figure 3: Longfor's interim income statement

FY end Dec 31 (CNY m)	Actual	Actual	Actual	Actual	Actual	RHB
	1H16	2H16	1H17	2H17	1H18	2H18F
Turnover	18,369	36,431	18,594	53,481	27,121	68,958
Property sales	16,903	34,539	16,590	50,873	24,037	65,937
Property investment	883	1,030	1,137	1,456	1,851	1,697
Property mgmt and others	583	862	867	1,152	1,232	1,324
Cost of sales	(13,249)	(25,615)	(11,801)	(35,838)	(17,051)	(45,773)
Gross profit	5,119	10,816	6,793	17,642	10,070	23,185
Selling and marketing exp	(411)	(1,017)	(519)	(1,278)	(871)	(1,064)
Administrative expenses	(686)	(1,337)	(905)	(2,362)	(1,778)	(2,094)
Other income/(losses)	76	(37)	410	123	263	59
Operating profit	4,099	8,426	5,779	14,125	7,684	20,086
Revaluation change	1,725	246	2,148	2,273	2,532	0
Exceptionals	55	(117)	80	11	0	0
Finance income/(cost) - net	46	42	84	186	111	(202)
Associates and JCEs	(30)	1,464	(72)	1,940	450	1,997
Profit before taxation	5,895	10,061	8,018	18,535	10,778	21,880
Taxation	(1,999)	(4,023)	(3,130)	(6,945)	(4,085)	(8,161)
Profit after taxation	3,896	6,039	4,888	11,590	6,693	13,718
Minority interests	(166)	(616)	(483)	(3,397)	(1,263)	(3,912)
Reported net profit	3,730	5,423	4,405	8,194	5,430	9,807
Recurring net profit	2,397	5,363	2,843	6,927	3,730	9,607
Basic EPS (CNY)	0.639	0.934	0.760	1.410	0.929	1.647
Core EPS (CNY)	0.411	0.923	0.491	1.192	0.638	1.616
DPS (CNY)	0.000	0.466	0.200	0.558	0.300	0.730
BVPS (CNY)	9.731	10.617	10.971	12.155	12.470	13.475
Gross margin	27.9%	29.7%	36.5%	33.0%	37.1%	33.6%
Operating margin	22.3%	23.1%	31.1%	26.4%	28.3%	29.1%
Effective tax rate	-33.9%	-40.0%	-39.0%	-37.5%	-37.9%	-37.3%
Net margin	20.3%	14.9%	23.7%	15.3%	20.0%	14.2%
Core net margin	13.0%	14.7%	15.3%	13.0%	13.8%	13.9%

Source: RHB

Figure 4: Summary of Longfor's annual income statement

FY end Dec 31 (CNY m)	FY16	FY17	FY18F	FY19F	FY20F
Property sales	51,441	67,462	89,975	104,227	119,273
Property investment	1,913	2,593	3,549	4,856	6,645
Property mgmt and others	1,445	2,019	2,556	3,235	4,094
Total revenue	54,799	72,075	96,079	112,318	130,012
Cost of sales	(38,864)	(47,639)	(62,824)	(75,347)	(89,195)
Gross profit	15,935	24,436	33,255	36,971	40,817
Other income and expenses	40	532	322	390	471
Selling and marketing exp	(1,428)	(1,797)	(1,936)	(2,404)	(2,809)
Administrative expenses	(2,022)	(3,267)	(3,871)	(4,834)	(5,557)
Exceptionals	(62)	91	0	0	0
Revaluation change	1,971	4,420	2,532	0	0
Finance cost - net	88	270	(91)	(34)	(66)
Associates and JCEs	1,434	1,868	2,447	3,430	4,273
Profit before taxation	15,956	26,554	32,658	33,518	37,129
Taxation	(6,021)	(10,075)	(12,247)	(12,067)	(13,367)
Profit after taxation	9,935	16,478	20,411	21,452	23,763
MI	(782)	(3,880)	(5,175)	(5,994)	(6,860)
Reported net profit	9,153	12,599	15,237	15,457	16,903
Recurring net profit	7,760	9,770	13,337	15,457	16,903
Reported EPS (CNY)	1.573	2.170	2.576	2.613	2.858
Recurring EPS (CNY)	1.334	1.683	2.255	2.613	2.858
DPS (CNY)	0.466	0.758	1.030	1.045	1.143
Profit margin:					
Gross margin	29.1%	33.9%	34.6%	32.9%	31.4%
Reported net margin	16.7%	17.5%	15.9%	13.8%	13.0%
Recurring net margin	14.2%	13.6%	13.9%	13.8%	13.0%
YoY growth:					
Turnover	15.6%	31.5%	33.3%	16.9%	15.8%
Booked property sales revenue	14.3%	31.1%	33.4%	15.8%	14.4%
Reported net profit	1.8%	37.6%	20.9%	1.4%	9.4%
Recurring net profit	11.7%	25.9%	36.5%	15.9%	9.4%
Reported EPS	1.9%	37.9%	18.7%	1.4%	9.4%
Recurring EPS	11.7%	26.2%	34.0%	15.9%	9.4%

Source: RHB

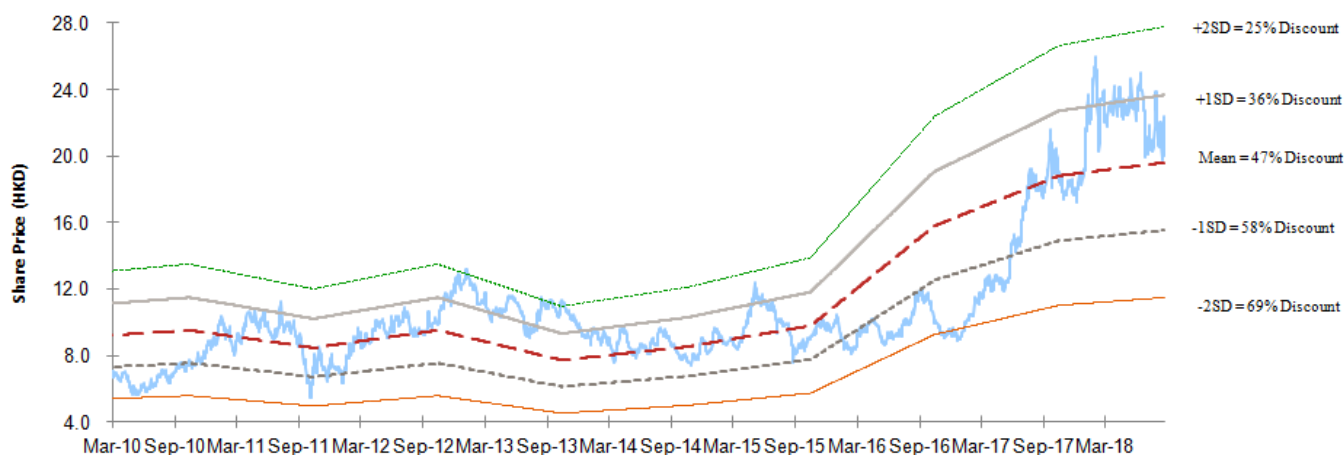
Valuation

Figure 5: Longfor's end-FY18F ENAV

Details	Total HKD m	HKD/share	% of Total
Landbank and properties under development	184,938	31.7	89%
Investment properties	90,710	15.5	44%
Net debts as of end-FY18F	(67,598)	(11.6)	-32%
Total	208,051	35.6	100%

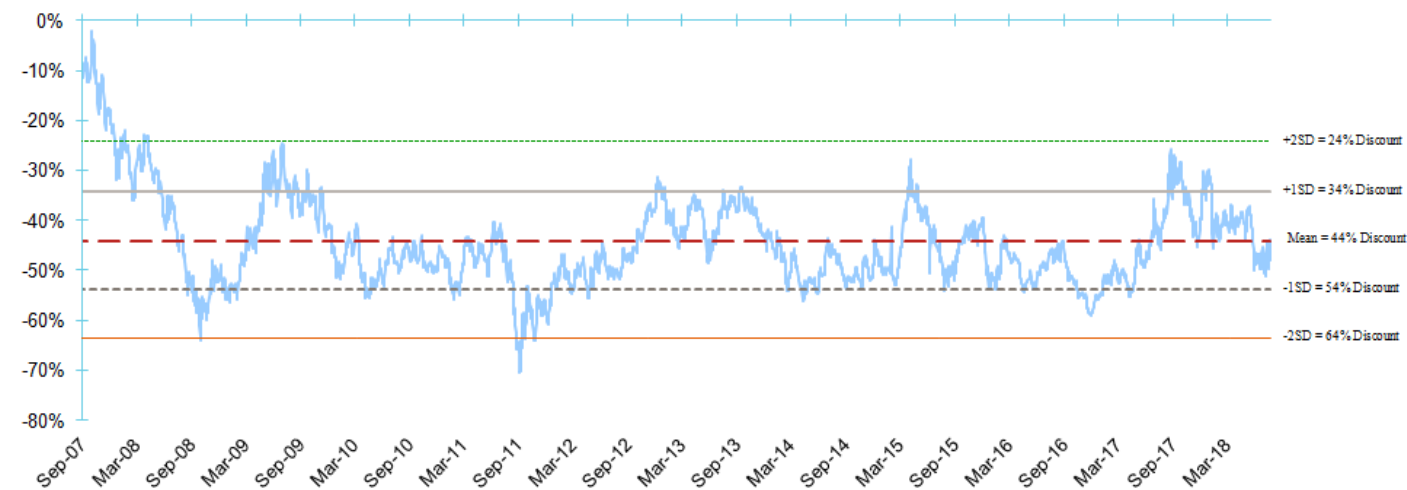
Source: RHB

Figure 6: Longfor's 5-year rolling forward ENAV band



Source: RHB

Figure 7: China property – 10-year ENAV discount band



Source: RHB

Peer Comparison

Figure 8: Peer valuation comparison table I

Company	Stock code	*Price (HKD)	Mkt cap (USDm)	3-mth avg t/o (USDm)	RHB/Cons NAV (HKD)	Discount to NAV (%)	P/E		EPS YoY change		3-yr EPS	P/BV		Div yield		
							FY18F (x)	FY19F (x)	FY18F (%)	FY19F (%)	CAGR (%)	FY18F (x)	FY19F (x)	FY18F (%)	FY19F (%)	
Large peer average							37.0	7.5	6.0	19.3	25.3	20.3	1.7	1.4	5.1	5.9
China Vanke	2202 HK	26.25	38,374	32.6	33.34	21.3	7.2	5.9	24.7	22.5	20.0	1.6	1.4	4.9	6.1	
**Country Garden	2007 HK	12.24	33,817	110.3	26.70	54.2	6.6	5.0	38.3	32.6	30.3	1.9	1.5	5.1	6.6	
**Evergrande	3333 HK	28.25	46,917	99.2	42.20	33.1	8.2	6.8	-1.0	19.8	9.9	2.3	1.9	7.7	7.2	
**China Overseas	688 HK	24.15	33,706	59.0	43.00	43.8	6.6	5.5	17.4	18.8	17.5	0.9	0.8	3.9	4.6	
**CR Land	1109 HK	28.75	25,384	43.4	44.00	34.7	8.1	6.8	28.6	18.1	20.9	1.2	1.1	4.3	5.1	
**Sunac	1918 HK	25.20	14,134	90.9	41.30	39.0	7.5	4.7	4.4	61.2	31.3	1.9	1.4	2.9	4.5	
**Longfor	960 HK	22.40	16,922	16.1	35.60	37.1	9.1	7.2	27.4	26.5	25.1	1.4	1.3	4.4	5.5	
Mid-and-small peer average							48.8	7.1	5.9	30.8	21.3	19.6	0.7	0.6	6.1	7.3
**Shimao	813 HK	22.80	9,673	21.7	40.00	43.0	7.4	5.8	31.3	26.5	27.2	1.0	0.9	5.3	6.7	
**Agile	3383 HK	11.82	5,898	15.7	34.00	65.2	5.5	4.4	21.4	23.6	22.2	0.9	0.8	8.3	10.3	
Guangzhou R&F	2777 HK	15.04	6,174	15.7	20.86	27.9	4.2	3.3	33.8	24.7	26.3	0.6	0.6	9.5	11.4	
China Jinmao	817 HK	3.51	5,164	15.1	5.23	32.9	6.9	5.4	20.5	29.3	27.6	0.9	0.8	5.9	7.4	
**CIFI	884 HK	4.60	4,551	16.7	10.50	56.2	5.5	4.3	25.9	29.3	27.0	1.2	1.0	6.5	8.4	
Sino-Ocean	3377 HK	4.20	4,074	4.8	6.80	38.2	5.5	4.6	23.4	20.0	22.5	0.5	0.5	7.7	9.3	
**KWG	1813 HK	8.87	3,585	15.0	22.30	60.2	5.4	4.0	49.0	32.7	35.5	0.8	0.7	6.6	8.6	
Shenzhen Inv	604 HK	2.60	2,726	5.6	8.50	69.4	6.7	5.9	-24.7	13.7	-6.1	0.5	0.4	7.0	7.9	
Kaisa	1638 HK	3.13	2,420	6.2	5.60	44.1	1.9	1.5	214.5	N/A	N/A	0.9	N/A	3.8	N/A	
**Greentown	3900 HK	8.43	2,328	6.8	20.30	58.5	7.5	6.7	27.7	11.5	15.2	0.6	0.5	2.6	2.8	
Yuexiu Property	123 HK	1.43	2,259	7.1	1.86	23.1	5.8	5.0	13.5	16.3	14.4	0.4	0.4	6.7	8.2	
SOHO China	410 HK	3.15	2,086	3.3	7.30	56.8	35.7	30.2	N/A	18.2	N/A	0.4	0.4	3.7	3.2	
Hopson	754 HK	7.00	1,985	1.2	13.08	46.5	11.1	10.9	N/A	1.6	N/A	N/A	N/A	2.7	2.7	
Shui On Land	272 HK	1.83	1,879	4.2	5.90	69.0	8.7	8.1	-23.4	7.7	0.2	0.3	0.3	4.0	4.2	
**CSC	1668 HK	1.44	1,469	4.0	6.90	79.1	5.9	4.8	N/A	22.4	18.0	0.3	0.3	3.5	5.1	
Poly HK	119 HK	3.07	1,432	3.2	7.00	56.1	4.1	4.1	104.5	0.5	N/A	0.4	0.4	6.9	6.8	
**COGO	81 HK	2.72	1,186	2.6	7.50	63.7	4.4	3.6	31.0	22.4	23.7	0.4	0.4	2.1	2.6	
Fantasia	1777 HK	1.17	859	1.2	2.60	55.0	4.3	3.3	20.0	29.2	24.9	0.5	0.3	6.0	7.2	
Sector average							39.6	7.4	6.0	21.8	24.4	20.1	1.4	1.2	5.4	6.2

Note: *Prices as at 22 Aug 2018

Note 2: **Under RHB coverage

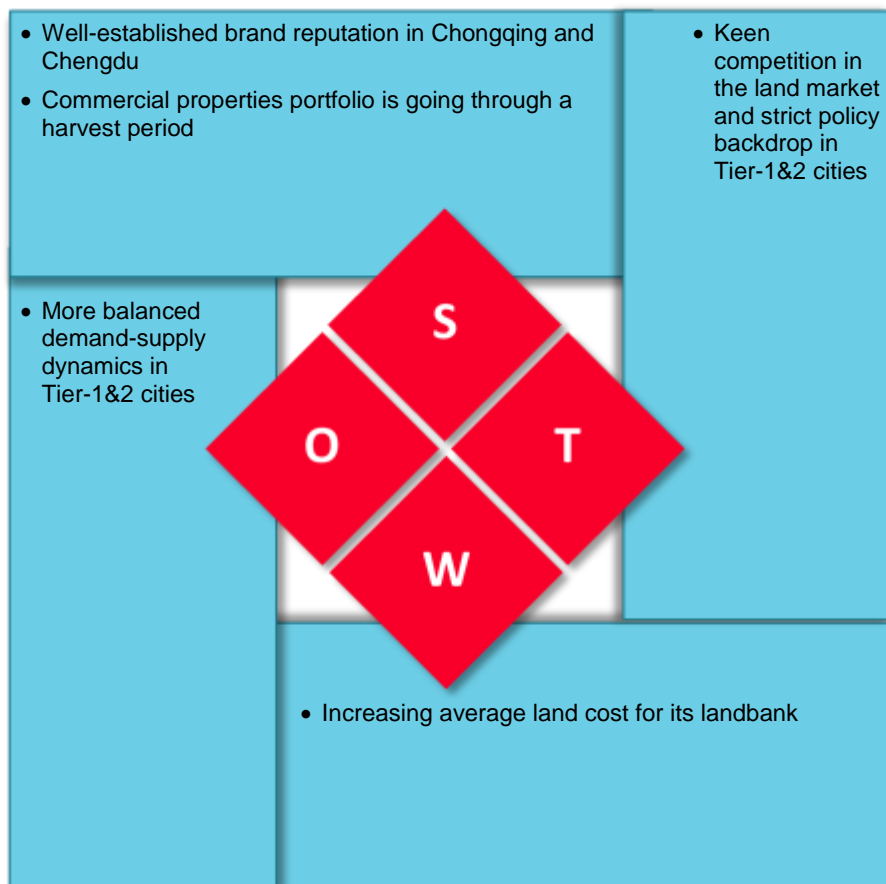
Source: RHB, Bloomberg

Figure 9: Peer valuation comparison table II

Company	Stock code	Mkt cap (USDm)	Revenue (USDm)		Net profit (USDm)		Gross margin (%)		Net margin (%)		Net gearing (%)		ROE (%)		Share price change (%)	
			FY17	FY18F	FY17	FY18F	FY17	FY18F	FY17	FY18F	FY17	FY18F	FY17	FY18F	1-mth	YTD
Large peer average							31.8	15.8	12.5	94.9	19.9	25.7	22.6	9.8	-1.6	
China Vanke	2202 HK	38,374	34,670	45,705	4,098	5,120	32.3	11.8	11.2	14.1	N/A	24.1	23.4	4.8	-15.9	
Country Garden	2007 HK	33,817	33,144	51,588	3,807	5,118	25.9	11.5	9.9	45.3	26.7	34.4	30.5	-3.3	-13.6	
Evergrande	3333 HK	46,917	45,432	68,354	3,560	5,906	36.1	7.8	8.6	237.8	N/A	30.7	33.2	42.7	4.8	
China Overseas	688 HK	33,706	20,888	26,978	5,193	5,129	33.4	24.9	19.0	27.1	13.6	16.7	14.5	3.2	-4.0	
CR Land	1109 HK	25,384	15,107	18,959	2,932	3,170	40.3	19.4	16.7	43.1	17.4	21.2	16.6	7.9	25.0	
Sunac	1918 HK	14,134	9,622	20,489	1,707	1,816	20.7	17.7	8.9	249.1	N/A	32.8	22.7	4.1	-22.1	
Longfor	960 HK	16,922	10,528	14,266	1,840	1,845	33.9	17.5	12.9	47.8	21.9	20.0	17.4	9.0	14.5	
Mid-and-small peer average							33.2	31.8	12.6	88.0	44.6	13.9	12.6	0.8	-11.5	
Shimao	813 HK	9,673	10,287	12,503	1,145	1,339	30.4	11.1	10.7	61.1	55.9	14.2	14.6	9.6	34.1	
Agile	3383 HK	5,898	7,538	9,262	949	1,067	40.1	12.6	11.5	93.8	13.2	16.8	17.3	1.0	-0.3	
Guangzhou R&F	2777 HK	6,174	8,659	11,394	3,116	1,468	35.4	36.0	12.9	188.8	104.5	40.2	15.4	8.8	-14.6	
China Jinmao	817 HK	5,164	4,539	6,148	581	725	32.3	12.8	11.8	69.1	54.6	12.9	13.2	-5.9	2.0	
CIFI	884 HK	4,551	4,649	6,091	705	813	27.1	15.2	13.4	49.4	27.6	30.5	22.8	0.7	-2.3	
Sino-Ocean	3377 HK	4,074	6,696	7,678	747	724	24.5	11.2	9.4	66.5	33.2	11.1	9.9	-3.0	-22.1	
KWG	1813 HK	3,585	1,686	2,407	529	640	34.8	31.4	26.6	72.4	44.7	14.0	15.3	7.8	-2.8	
Shenzhen Inv	604 HK	2,726	1,306	2,383	631	381	34.6	48.3	16.0	22.0	N/A	13.3	7.1	-5.8	-19.8	
Kaisa	1638 HK	2,420	4,788	10,055	480	1,253	27.3	10.0	12.5	326.2	N/A	20.5	38.5	12.6	-29.0	
Greentown	3900 HK	2,328	6,128	6,436	320	300	19.2	5.2	4.7	59.1	51.8	6.5	6.8	-11.6	-16.2	
Yuexiu Property	123 HK	2,259	3,476	4,007	330	378	25.7	9.5	9.4	84.1	45.4	7.7	7.5	0.7	-2.1	
SOHO China	410 HK	2,086	287	262	691	68	74.0	241.2	25.8	51.4	N/A	5.2	1.3	-8.7	-31.1	
Hopson	754 HK	1,985	1,761	N/A	738	N/A	36.8	41.9	N/A	71.9	N/A	9.8	N/A	5.9	-8.6	
Shui On Land	272 HK	1,879	2,695	2,308	327	218	42.6	12.2	9.4	55.1	N/A	4.4	3.0	5.2	-15.3	
CSC	1668 HK	1,469	1,198	1,577	575	250	43.3	48.0	15.8	76.8	N/A	14.0	10.4	-3.4	-29.8	
Poly HK	119 HK	1,432	4,039	4,863	314	364	20.6	7.8	7.5	72.1	N/A	9.3	9.4	-1.6	-24.6	
COGO	81 HK	1,186	2,583	3,460	162	252	20.1	6.3	7.3	77.6	15.4	10.6	13.7	2.6	-34.7	
Fantasia	1777 HK	859	1,429	1,995	169	200	29.6	11.8	10.0	87.1	N/A	9.8	7.5	-0.8	9.3	
Average							32.8	27.3	12.6	89.9	37.6	17.2	15.5	3.3	-8.8	

Source: RHB, Bloomberg

SWOT Analysis



Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2018-03-25	Buy	26.3	23.0
2017-12-14	Buy	23.0	19.4
2017-08-17	Buy	23.0	18.9
2017-07-28	Buy	22.4	19.7
2017-03-26	Buy	15.4	13.8
2016-08-18	Buy	13.9	12.4
2016-04-01	Buy	13.9	11.0
2015-08-23	Neutral	10.5	9.6
2015-07-31	Neutral	10.4	11.1
2015-03-19	Neutral	10.4	10.2

Source: RHB, Bloomberg

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